FINANCIAL TIMES

Europe's Business Newspaper — THURSDAY AUGUST 18 1994 — D8523A

Shares surge as UK inflation rate falls to 27-year low

Underlying UK inflation fell last month to its lowest level for 27 years, while unit labour costs rose only slightly year on year. The figures banished fears of a early rise in interest rates and cheered UK financial markets, sending the FT-SE 100 Index up 43 points to close at 3190.3. Page 12 and Lex; Details, Page 8; London stocks, Page 21; Currencies, Page 28

US deputy Treasury secretary quits: The Whitewater affair claimed its second prominent Clinton administration casualty yesterday when Roger Altman (left) resigned as deputy secretary of the Treasury. Treasury Department general counsel Jean Hanson was also reported to be leaving. Mr Altman's fate was effectively sealed when the two senior Democrats on the Senate finance committee said he had lost the confidence of Congress. Page 12

BolsWessanen, the Dutch food and drinks company which makes Bols Advocaat liqueur, has captured 10 per cent of the European breakfast cereals market by buying Telford Foods of the UK and H&C Cereales of France from Harrisons & Crosfield, the UK industrial conglomerate. Page 13

Compaq Computer and Microsoft are to put warning labels on computer keyboards in response to widespread concerns about the possibility of repetitive strain injury (RSI). Page 12

ABB Asea Brown Boveri, the world's largest power engineering group, improved first-half net income by 31 per cent to $322m and put the improvement down to to lower personnel costs. Page 13; Lex, Page 12

Support over nuclear smuggling: Russian president Boris Yeltsin informed German chancellor Helmut Kohl that Moscow will work with Bonn to fight nuclear contraband. The two countries have crossed swords over the suspected origins of plutonium-239 and enriched uranium seized in Germany. Easy to shift, Page 2

Sri Lankan poll deadlock: Sri Lanka's general election failed to produce a conclusive victory for the ruling United National part or the People's Alliance, an opposition coalition. But Chandrika Kumaratunga, the opposition's choice for prime minister, claimed the right to form a government and may be able to secure enough support. Page 3

CS Holding, international financial services group built around Credit Suisse, reported first-half consolidated net income 19 per cent lower at SFr712m ($539.3m). The decline was limited by sharply reduced bad loan provisions. Page 13

Israelis shoot Palestinian: Israeli soldiers shot dead a Palestinian youth trying to "infiltrate the border road" in an Israeli-controlled area of the Gaza Strip on the border with Egypt, the Israeli army said.

Fresh vote likely for US crime bill: Bill Clinton's crime bill, blocked last week in the House of Representatives, could be given another vote tomorrow as waverers start to move over to the US president's side. Page 5

Australia's Reserve Bank raised official interest rates by 0.75 percentage point to 5.5 per cent, the first rise in five years, to keep down inflation and prevent the economy overheating. Page 3

Sun Life of Canada has bought the UK operation of Confederation Life Insurance, Canada's fourth largest insurer, which was seized by financial regulators last week. Page 13

Four die in Lesotho clashes: Four people were killed and several wounded when Lesotho soldiers and police fired on protesters outside the king's palace in the capital, Maseru. The demonstrators were protesting at King Letsie III's dissolution of the government and parliament.

Algerian suspect on hunger strike: Shopkeeper Said Magri, one of 25 suspected Algerian militants held in France, has gone on hunger strike, according to a spokesman for the group. The 25 were interned in a crackdown after five French government workers were killed in Algiers.

Stock market shocked: Israel's announcement that it would begin taxing share profits shocked players on the Tel Aviv Stock Exchange. Many of the nearly 50 Israeli stocks traded in New York fell sharply in heavy trading after his announcement. Israelis hail end to currency curbs, Page 3

■ STOCK MARKET INDICES		
FT-SE 100:	3,190.3	(+43.0)
Yield	3.95	
FT-SE Eurotrack 100	1,362.77	(+4.18)
FT-SE-A All-Share	1,596.52	(+1.2%)
Nikkei	20,824.56	(+38.2)
New York: lunchtime		
Dow Jones Ind Ave	3,780.36	(-4.21)
S&P Composite	464.97	(-0.04)
■ US LUNCHTIME RATES		
Federal Funds:	$4\frac{5}{8}$%	
3-mo Treas Bills: Yld	4.667%	
Long Bond	$101\frac{5}{8}$	
Yield	7.359%	
■ LONDON MONEY		
3-mo Interbank	$5\frac{7}{32}$%	($5\frac{5}{8}$%)
Liffe long gilt future:	Sep $101\frac{7}{32}$	(Sep $101\frac{1}{8}$)
■ NORTH SEA OIL (Argus)		
Brent 15-day (Oct)	$16.815	(17.06)
■ Gold		
New York Comex (Dec)	$382.3	(382.9)
London	$377.95	(376.8)

■ STERLING		
New York lunchtime:		
$	1.5394	
London:		
$	1.5388	(1.5401)
DM	2.4009	(2.3951)
FFr	8.232	(8.2187)
SFr	2.0171	(2.0093)
Y	154.275	(154.685)
£ Index	78.8	(78.8)
■ DOLLAR		
New York lunchtime:		
DM	1.55675	
FFr	5.3395	
SFr	1.309	
Y	100.35	
London:		
DM	1.5603	(1.5552)
FFr	5.3498	(5.3365)
SFr	1.3109	(1.3046)
Y	100.26	(100.425)
$ Index	63.2	(63.2)
Tokyo close Y 100.83		

Austria	Sch32	Greece	Dr350	Lux	LFr65	Qatar	QR13.00
Bahrain	Din1.250	Hong Kong	HK$16	Malta	Lm0.60	S.Arabia	SR11
Belgium	BFr65	Hungary	Ft185	Morocco	MDh15	Singapore	S$4.30
Bulgaria	Lw60.00	Iceland	IKr215	Neth	Fl 4.00	Slovak Rp	KSL50
Cyprus	C£1.10	India	Rs60	Nigeria	Naira50	South Africa	R12.00
Czech Rp	CZK50	Israel	Shk6.80	Norway	NKr17.00	Spain	Pta225
Denmark	DKr16	Italy	L3000	Oman	OR1.50	Sweden	SKr16
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Switz	SFr3.30
Finland	FM14	Jordan	JD1.50	Philippines	Pso50	Syria	S£50.00
France	FFr9.50	Kuwait	Fils.625	Poland	Zl 32,000	Tunisia	Din1.500
Germany	DM3.50	Lebanon	US$1.50	Portugal(mainland) Es225		Turkey	L30000
						UAE	Dh12.00

Christopher warns of threat to UN role in Bosnia

By Jurek Martin in Washington

The US expects the British and French governments to come under increasing domestic pressure to withdraw their peacekeeping troops from Bosnia, if the arms embargo is lifted later this year.

In an interview with the Financial Times, Mr Warren Christopher, the secretary of state, made clear that removing the embargo had long been the logical consequence of failure to reach a peace agreement.

"It will be time to ring up the sums," he said. He implied that this would include questioning the viability of the UN peacekeeping presence in Bosnia if fighting were to escalate with the resupply of the Bosnian army.

Mr Christopher, the target of frequent criticism in Washington, also stressed he had no intention of leaving his post in the foreseeable future. He expected to continue to work with President Bill Clinton on problems "with a very long time line", adding "preoccupation with my future is one I don't share".

The thrust of his comments on Bosnia suggest that the US will no longer be sympathetic to the case most forcefully expressed in the past by the UK government that maintaining the UN peacekeeping presence is essential to humanitarian operations.

However, western diplomats in Washington noted that the UK government had also said that anything that changed the impartial role played by the 3,500 British troops could logically lead to withdrawal. France might be more ready to pull out its roughly 4,000 strong deployment but the UK had been "prepared to do another winter" unless there was multilateral agreement to withdraw the peacekeeping force.

The Clinton administration's Bosnia policy is now constrained by the deal worked out with the Senate last week. This gives the Bosnian Serbs until October 15 to sign the territorial agreement proposed by the five nation "contact group", failing which Mr Clinton is committed to ask the UN Security Council to approve a multilateral end to the embargo by the end of October.

If that proves unsuccessful, the amendment sponsored by Senator Robert Dole, the Republican leader, requires the president to lift the embargo unilaterally by November 15. Although the

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Cyanamid accepts takeover bid of $9.7bn

Deal with Home Products creates health powerhouse

By Patrick Harverson in New York

American Cyanamid, the US healthcare and agricultural products group, yesterday accepted a $9.7bn takeover bid from American Home Products after staging a brief fight to remain independent.

The deal is the largest yet in the series of transactions reshaping the US pharmaceuticals and healthcare industry. It will create a new powerhouse with combined annual sales of $12.5bn and interests ranging from prescription drugs and vaccines to consumer products and chemicals.

The battle for control of Cyanamid was short. Its management initially rejected AHP's unsolicited advance on August 2, when the pharmaceuticals and food products group launched an all-cash offer of $95 a share.

When AHP raised its bid to $100 a share, Cyanamid again stood firm, in the hope it could attract a rival bidder willing to negotiate a friendly merger at a price above AHP's bid.

When a "white knight" failed to emerge, Cyanamid's resistance quickly crumbled. Its board yesterday accepted AHP's new offer of $101 a share after only a brief meeting.

Cyanamid's management had been under pressure to accept AHP's bid from shareholders who were unhappy that the company had spurned the original offer, which valued Cyanamid's stock at a premium of more than 50 per cent over its pre-bid price.

That pressure intensified last week when *six lawsuits* were filed against Cyanamid by shareholders who claimed the company had acted improperly in rejecting AHP's first bid. Mr Albert Costello, Cyanamid's chairman, who had been steering the company through a restructuring when AHP pounced, said: "For the past 18 months, we have been pursuing an aggressive strategic programme to build value. The success of this programme can be measured by the significant increase in our share price prior to the AHP offer.

"After a thorough analysis of AHP's increased offer, our board concluded that a combination of the two companies will result in a stronger company, better situated to compete in the rapidly evolving healthcare marketplace."

The rapid conclusion of the Cyanamid takeover justified the *hardline approach adopted by* Mr John Stafford, AHP chairman, during the bid battle.

AHP launched its initial bid two weeks ago after learning that Cyanamid had discussed an asset swap with SmithKline Beecham, the Anglo-US drugs group. After Cyanamid rejected the first offer, AHP raised its bid two days ago to $100 a share, but only on the condition that Cyanamid accepted the deal within 24

Continued on Page 12

Cuauhtemoc Cardenas, presidential candidate of Mexico's Party of Democratic Revolution, greets supporters after a campaign speech in Puebla City's main square. Cardenas is running in third place according to electoral polls for the presidential elections on August 21 Reuter

Row over call for curb on population

By Bronwen Maddox in New York

Worldwide spending on family planning needs to rise to $17bn by the end of the decade – more than treble present levels – if the growth in the world's population is to be curbed, the United Nations population fund said yesterday.

The UN call comes amid an international row over the agenda of next month's population conference in Cairo, the first UN meeting to tackle the issue for a decade.

This week, US anti-abortionists joined the Vatican and Islamic leaders in attacking the conference's draft agenda, which calls on countries to draw up plans for stabilising the world's population.

The agenda also covers homosexuality, women's rights and teenage sex, but it is the comments on abortion that have provoked the fiercest opposition. The US's powerful anti-abortion lobby *took full page advertisements in* leading newspapers this week to accuse the UN and the US of promoting abortion as a means of contraception.

Governments from the Philippines to the Middle East have been drawn into the controversy, in which the US and the Vatican have been cast as the prime antagonists. Pope John Paul II, who has accused the conference of promoting the "culture of death", last week attacked the conference's support for artificial birth control.

Islamic leaders in Cairo, and Iran's Moslem-led government *have also criticised sections of* the draft document.

Mr Timothy Wirth, the US undersecretary of state for global affairs, has insisted that "neither US policy nor the Cairo document promotes abortion". The UN said the agenda commented on abortion only in the context of a threat to women's health.

The UN population fund, which estimates that 250,000 women die each year from the 50m abortions performed worldwide, has called for better distribution of contraceptives to help reduce the number of unwanted pregnancies. UN officials are exasperated that the *abortion row threatens to distract* debate from the broader issues of population growth.

According to the fund's annual report, published yesterday, the world's present population of 5.7bn is set to rise to 10bn by the middle of the next century even if the sharp falls in birth rates seen in recent years continue.

But it argues that the population could be stabilised at 7.8bn if contraception were made much *more widely available.*

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Europe-wide levy on blank tapes proposed by Brussels

By Emma Tucker in Brussels

Prices of blank video and audio cassettes and recording equipment may rise as the result of a European Commission proposal to protect copyright through a Europe-wide levy.

The plans aim to harmonise levies currently imposed in most member states to reimburse copyright holders, such as producers, composers and musicians, who suffer as a result of home copying of their works. Only the UK, Ireland and Luxembourg impose no levy.

The UK says the proposals, which will be discussed by the Commission next month, would be bureaucratic and penalise disadvantaged people, such as the blind, who rely heavily on taped material.

The draft directive suggests a levy of Ecu0.15 (18 US cents) an hour on audio tapes, Ecu0.25 an hour on videotapes, Ecu2 a unit of audio equipment and Ecu10 ($12.20) for each unit of video equipment. If the Commission proceeds with the proposal, it will require the backing of a qualified majority of EU states for it to be implemented. However, the UK and other opposed countries may argue that the levy is in fact a tax, in which case the decision must be unanimous, allowing them to defeat the plans.

The Commission argues that it is under growing pressure from copyright holders and member states to harmonise legislation, *since levies vary widely between* countries, causing distortions in the market.

"Everybody says there is a need to act," said a Commission official, "even the tape producers who do not like the levy, but say that since it exists we should harmonise. We will try to do so at a level that is not too exaggerated."

At present the levies, which vary according to the length of tapes and videos, are highest in Denmark and France but low in Germany. In the UK, which debated levies when it drafted new copyright legislation in 1988, rights holders get no reimbursement from UK sales, but benefit from sales in other countries.

The plan is unpopular with European manufacturers and importers of tapes and consumer electronics equipment, who fear that prices will have to rise. The Commission, however, says that in countries where the levy applies, consumers have not faced higher prices as importers and manufacturers have largely *absorbed the cost.*

Manufacturers argue that the move is particularly inappropriate for video cassettes, which are mainly used to record television broadcasts people do not want to miss. Danes pay an extra Ecu0.37 on a 60 minute tape and Ecu1.53 on a three-hour video cassette. But the equivalent taxes in Germany are only Ecu0.06 and Ecu0.27 respectively. The draft proposal would allow EU countries to exceed proposed EU-wide levels by up to 10 per cent.

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NEWS: EUROPE

States act to stem flow of plutonium

By Christopher Parkes in Frankfurt and John Thornhill in Moscow

Efforts to stem the flow of plutonium being smuggled from Russia into the west intensified yesterday.

President Boris Yeltsin has written to Chancellor Helmut Kohl promising Moscow's willingness to work with Bonn to fight the trade in nuclear contraband. And Mr Klaus Kinkel, the German foreign minister, said he was intending to propose to his European Union colleagues that plutonium smuggling was a suitable case for Europol, the Union's fledgling crime fighting agency.

Mr Kohl said earlier he would telephone President Yeltsin in the next few days to discuss nuclear smuggling from the former Soviet Union, which German officials believe is the source of four seizures of weapons-grade material in the past four months. Bonn and Moscow have crossed swords over the suspected origins of the highly radioactive plutonium-239 and enriched uranium seized since May – the first time that smuggled weapons-grade material has cropped up on German soil.

German government said it saw no reason to change its assumption that the nuclear contraband came from Russian or Soviet nuclear facilities, despite Russian accusations of a smear campaign by the west.

Mr Kinkel said yesterday he would press his case at an informal meeting of EU foreign ministers in Usedom, on eastern Germany's Baltic coast, next month.

Europol, which is mainly occupied with co-ordinating efforts to control drugs-trafficking, is a favourite project of Chancellor Kohl.

Mr Kinkel is also planing to suggest that funds from the EU's programme of technical assistance for the Commonwealth of Independent States be used to develop effective recording and control systems for nuclear material in the former Soviet Union. The EU is already a partner in a massive programme to help the countries of the former Soviet Union stem the drain of nuclear scientists to potentially dangerous countries

Last March, the EU, Japan, Russia and the US set up the International Science and Technology Centre in Moscow as an "insurance policy against nuclear proliferation" to channel Russian nuclear engineers and scientists into more peaceful pursuits. So far, the centre has approved 54 projects to employ 3,000 scientists over the next three years.

But Mr Glenn Schweitzer, the ISTC's executive director, estimates that there are tens of thousands of scientists and engineers in Russia with knowledge useful to anyone intent on building a nuclear bomb. "There are a lot of poor and disillusioned nuclear scientists wandering around the streets of Russia. If we've got 10 per cent of them then we're doing well," he says.

Mr Vladimir Kruchenkov, a Russian nuclear scientist and deputy executive director of the ISTC, says he has heard of several cases where foreign powers have tried to recruit Russian nuclear and military expertise. "We have heard that the North Koreans are interested in rocket technology and the Syrians are interested in the electrical area," he says. China has also tapped into Russian nuclear expertise to help develop its civil nuclear energy programme.

Russian scientists would find it difficult to leave the country. "They may also wonder about the long term career prospects in a place like Iraq," according to Mr Schweitzer. But he suggests that foreign joint ventures operating in Russia could easily serve as front organisations. Mr Kruchenkov suggests there is a greater likelihood that guards or minor bureaucrats who control nuclear stockpiles could be seduced by foreign powers or terrorist groups.

Easy to shift, harder to make a bomb with

Bernard Gray on the chances of a garage nuclear bomb factory

In a suburban garage somewhere in western Europe, terrorists might today be assembling a nuclear weapon as destructive as the bombs that killed 100,000 people at Hiroshima and Nagasaki while middle-men may be trading plutonium to countries desperate to become nuclear weapons states.

These are the fears raised by the increasing incidence of plutonium smuggling. But how realistic are they?

Unfortunately, the answer is that smuggling plutonium is pretty straightforward and making bombs from it not that much harder.

For all the doomsday demonology which surrounds it, plutonium is reasonably easily handled, and therefore, smuggled. The most common form of storage is as 1kg bars or small pellets, much like lead shot. Plutonium is a very toxic metal and causes cancer, yet most of the radioactivity which it gives off does not penetrate very far. That means that provided it is packaged in a properly sealed plastic container, it can be handled without protective clothing or large amounts of lead shielding.

Smugglers, prepared to take the chance that the seals may break, can carry plutonium in a case or even in their clothing. Their main challenge is to avoid the airport metal detectors and x-ray scanners which would pick up the presence of such heavy metal objects.

The amount of plutonium required to make a bomb depends on the sophistication of the design. US or Russian scientists could today make a compact workable design with as little as 2.5kg of plutonium. A beginner with a work bench and some sticky-back plastic would probably work with between 6kg and 10kg to make sure of an atomic explosion. When that amount of plutonium is coverted into a sphere it is little larger than a tennis ball.

One snag is that remote control facilities are needed to melt down and shape the plutonium, since direct contact must be avoided. This plutonium fabrication is one of the more difficult parts of the process which would be hard to conduct in a suburban garage, but reasonably easy in any modestly equipped nuclear laboratory.

The other requirement is that the plutonium is of high quality. Plutonium produced from uranium in the early months of use in a nuclear reactor is the bomb-grade plutonium-239, which readily explodes in a massive chain reaction. The less explosive plutonium-240 is produced after nuclear fuel has been in a reactor longer, and inhibits an effective nuclear explosion. Bomb-makers are looking for material which is more than 90 per cent plutonium-239, the kind of stuff which has been smuggled into Germany.

Once the plutonium core is in place, the next job is to make a sphere of about 400kg of conventional explosive, typically the high explosive HMX, to go around it. This needs to be shaped so that the explosive shock wave it produces is focused in on the plutonium core, crushing it into a ball half its normal size. The implosion dramatically increases the number of plutonium atoms which are split apart, releasing enormous energies and generating a rapidly escalating chain reaction. It is that chain reaction which forms the nuclear explosion.

For this to work properly it is important to get an even detonation. All of the high-explosive must go off at once, producing a symmetrical spherical shock wave to crush the plutonium. It requires some sophisticated electronics and large detonating capacitors which can be made to operate simultaneously to make this happen. Anyone determined to could acquire such equipment commercially, and the detonators are similar to some used in hi-tech flash photography.

Producing an even explosion would also be difficult for terrorists, but most countries have conventional weapons designers who could produce such a detonation. They could also test how effective their design was by conducting trial explosions around a lead or uranium core, and observing the shock wave using X-ray cameras. Since they would only be conducting modest conventional explosions, a test programme would probably go undetected.

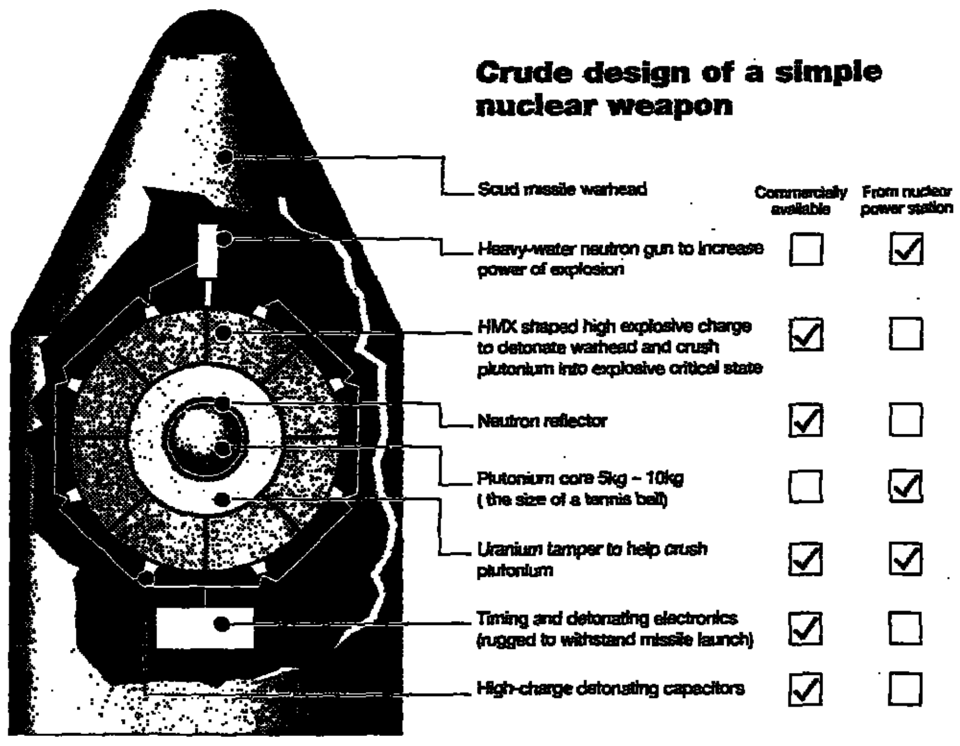
Some refinements are normally added to the basic pattern to make sure the bomb is effective. The plutonium core is usually covered in a metallic "neutron shield". This reflects the neutrons which split the plutonium atoms back into the core, making sure that the maximum number are detonated during the explosion.

To increase the number of reactions, a "neutron gun" is also fired a fraction of a second after the conventional implosion starts, flooding the core with neutrons and kick-starting the nuclear chain reaction. This neutron gun uses electronics which could be assembled commercially and heavy water which can be obtained from civil nuclear sources.

Last, just outside the neutron shield is a layer of uranium which is crushed by the high explosive and helps to ram the plutonium core into the smallest possible space.

Such a nuclear weapon would weigh under 500kg, would be somewhat larger than a basketball and could be fitted into the warhead of a Scud missile. Its exact explosive power would depend on the quality of its construction, but a conservative designer might estimate that it would have the force of 20,000 tonnes of TNT – similar to that of the bombs that destroyed Hiroshima and Nagasaki.

It is, perhaps, a little beyond the ken of terrorists groups. It is by no means beyond most states if they were able to get their hands on enough of the weapons-grade plutonium currently being smuggled through Germany.



Brussels says EU recovery getting stronger

By Martin Wolf

Economic recovery in the European Union is growing in strength, particularly in manufacturing industry. This is the principal conclusion of the European Commission's business and consumer surveys for July.

Confidence among consumers and industrial managers has risen. New orders are up. Capacity utilisation in manufacturing is at 80.4 per cent, up from 77.2 per cent in the trough during the third quarter of 1993.

The overall indicator of economic sentiment – which aggregates confidence within industry and construction, consumer confidence and movements in share prices – rose between June and July in all member states for which the index was calculated, with the exception of Italy, where it remained unchanged.

All member states, including Italy, have shown marked improvements in economic sentiment since the end of 1993. Capacity utilisation in manufacturing has also been rising this year in virtually all member states. In the EU's leading economy, Germany, the increase has been from 78.5 per cent in the third quarter of 1993 to 81.9 in the third quarter of this year.

Over the same period the rise in France was from 78.9 to 84 per cent; in Spain, from 71.1 to 74 per cent; in Italy, from 74.3 to 75.4 per cent; and in the UK, from 80.4 to 84.3 per cent.

Despite this tightening, the balance of the respondents to the Commission's inquiries who expect capacity in manufacturing to be sufficient over the next 12 months was still plus 24 per cent in the third quarter of 1994, although this marked a fall from plus 39 per cent a year before.

Strong improvements have also been registered during 1994 in new orders in manufacturing and in expectations of future export volume.

For the EU as a whole, the balance of managers reporting a rise in new orders was plus 17 per cent up in the third quarter, a big swing from the minus 13 per cent fall in the third quarter of 1993.

Similarly, the balance reporting improvements in export volume expectations was plus 17 per cent in the third quarter, up from a decline of minus 9 per cent in the third quarter of last year. In both of these cases, improvements have also been reported in all member states.

The news, in fact, is good in almost all the areas covered by the survey of manufacturing industry. In the EU as a whole, the balance of those reporting an improving trend of activity compared with the preceding month, for example, was plus 12 per cent in July, compared with minus 3 per cent in the last quarter of 1993. Also important, however, was the positive balance of those expecting an improvement in selling-prices, at 15 per cent in July, up from 13 per cent in June and zero in the last quarter of 1993.

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Latest data support view that inflation is still under control

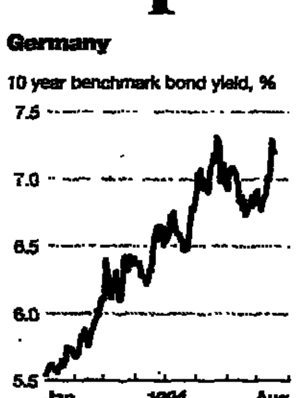
W German prices kept in check

By Christopher Parkes in Frankfurt

The steady stream of reassuring west German price data continued yesterday, supporting the consensus that inflation is still under control. According to the federal statistics office, producer prices rose just 0.1 per cent in July, and wholesale prices fell 0.4 per cent.

The sharper-than-expected drop in wholesale prices, which are now 1.6 per cent higher than a year ago, was due mainly to cheaper seasonal foodstuffs.

The producer price index which has been heavily influenced by fierce international competition, was up only 0.4 per cent on the year.



Source: Datastream

Despite this, WestLB, one of the country's leading banks, yesterday suggested inflation had risen in August under the influence of noticeably higher prices for oil products.

According to the statistics office, producer prices for heavy heating oil and bitumen increased 4.4 per cent and 15 per cent respectively last month. But WestLB agreed with the general view that "inflation's general downward trend remains intact".

The prices situation will loom large at today's meeting of the Bundesbank's policy-making council in Frankfurt, which will undertake a routine assessment of interest rate policy.

Other factors to be considered include prospects for continued deceleration in the rate of German money supply growth, the accelerating economic recovery and Tuesday's rise in the US Fed funds rate.

Although the bank council may agree with the common view that a further cut in the 4.5 per cent discount rate is possible in current monetary conditions, the consensus among analysts yesterday was that it would maintain its "steady hand" policy, and leave this internationally sensitive rate unchanged.

However, some economists suggested the bank might ease rates on securities repurchase agreements which have been fixed at 4.85 per cent for the past four weeks.

Although most believed there was still more room for cuts, a report in the influential Frankfurter Allgemeine Zeitung which said the discount rate might fall today was widely discounted.

European car sales up 4.8%

By Kevin Done, Motor Industry Correspondent

The pace of recovery in west European new car demand slowed last month as sales rose by an estimated 4.8 per cent to 962,000.

New car sales rose sharply year-on-year in both May and June with increases of more than 13 per cent, but carmakers do not expect such growth to be sustained in the second half. Sales declined by more than 15 per cent last year, the steepest fall in the post-war period, but demand has begun to recover during the first half of 1994.

In the first seven months new car sales rose by an estimated 6.6 per cent to 7.5m from 7.0m a year ago.

The recovery faltered last month in Britain, Germany, the Netherlands and Belgium, but the sales declines in these countries were offset by higher new car registrations in France and Spain as well as by continuing strong demand in Scandinavia.

Overall new car sales in July were higher than a year ago in 11 of 17 markets across west Europe. Sales fell by an estimated 2.5 per cent year-on-year in both Germany and Britain, although in the first seven months UK new car demand has risen by 13.3 per cent.

All six big volume carmakers in west Europe have increased sales volumes in the first seven months, while Japanese carmakers have lost ground.

Peugeot Citroën has performed strongly supported by a 14.2 per cent rise in the overall French new car market in the first seven months. It increased its sales volumes by an estimated 12 per cent in the first seven months and is challenging General Motors of the US (Vauxhall in the UK and Opel in continental Europe) for second place in west Europe.

Mercedes-Benz and Saab have both increased sales by more than a third in the first seven months helped by the launch of important new models last year.

Japanese carmakers have suffered a significant loss of market share with their competitiveness hit hard by the rapid appreciation of the yen. Only Honda raised sales volume in the first seven months.

WEST EUROPEAN NEW CAR REGISTRATIONS
January-July 1994

	Volume (Units)	Volume Change(%)	Share (%) Jan-Jul 94	Share (%) Jan-Jul 93
TOTAL MARKET	7,466,000	+6.6	100.0	100.0
MANUFACTURERS:				
Volkswagen group	1,234,000	+5.0	16.5	16.8
– Volkswagen	799,000	+1.9	10.7	11.2
– Seat	203,000	+22.4	2.7	2.4
– Audi	197,000	+0.5	2.6	2.8
– Skoda*	34,000	+16.2	0.5	0.4
General Motors#	955,000	+6.1	12.8	12.9
– Opel/Vauxhall	915,000	+5.3	12.3	12.4
– Saab**	32,000	+41.4	0.4	0.3
PSA Peugeot Citroen	940,000	+12.0	12.6	12.0
– Peugeot	564,000	+10.4	7.6	7.3
– Citroen	376,000	+14.6	5.0	4.7
Fiat group##	877,000	+6.7	11.7	11.7
– Fiat	675,000	+9.6	9.0	8.8
– Lancia	116,000	–1.5	1.6	1.7
– Alfa Romeo	76,000	–5.6	1.0	1.2
Ford group#	852,000	+7.0	11.4	11.4
– Ford	846,000	+7.1	11.3	11.3
– Jaguar	6,000	–0.8	0.1	0.1
Renault	813,000	+9.1	10.9	10.6
BMW group	453,000	+6.6	6.1	6.1
– BMW	236,000	+1.5	3.2	3.3
– Rover	217,000	+12.9	2.9	2.8
Mercedes-Benz	261,000	+34.7	3.5	2.8
Nissan	236,000	–1.9	3.2	3.4
Toyota	189,000	–3.1	2.5	2.8
Volvo	124,000	+23.8	1.7	1.4
Mazda	112,000	–9.9	1.5	1.8
Honda†	100,000	+2.8	1.3	1.4
Mitsubishi	74,000	–17.0	1.0	1.3
Suzuki	49,000	–20.1	0.7	0.9
Total Japanese	804,000	–6.5	10.8	12.3
MARKETS:				
Germany	2,024,000	+0.4	27.1	28.8
Italy	1,229,000	–1.4	16.5	17.8
France	1,150,000	+14.2	15.4	14.4
United Kingdom	991,000	+13.3	13.3	12.5
Spain	556,000	+18.9	7.4	6.7

*VW holds 31 per cent and management control of Skoda.
†Includes cars imported from US and sold in western Europe.
**GM holds 50 per cent and management control of Saab Automobile.
Fiat group includes Lancia, Alfa Romeo, Innocenti, Ferrari and Maserati.
Source : Industry estimates

EUROPEAN NEWS DIGEST

Russian court suspends fund

A Russian court yesterday suspended the operations of a Russian investment fund in a move which court officials said could trigger a financial scandal as serious as the collapse of the MMM pyramid scheme earlier this summer. Russki Dom Selenga (Russian House of Selling), the suspended fund, has also become the target of strong-arm tactics similar to those which the state dramatically employed against MMM earlier this month.

Over the past few days in raids throughout Siberia and central Russia, where the company is based, armed tax police have confiscated billions of roubles in cash from Russki Dom Selenga branches. Like MMM, the company responded to the state crackdown by "temporarily" freezing its operations. Russki Dom Selenga has attracted over 1.5m investors, company officials say. Russia is plastered with billboards depicting a typically dilapidated Russian apartment on the left and a glowingly prosperous western-style home on the right with the slogan: "Others only promise a better future, we guarantee wealth today." But, unlike the Moscow-based MMM scheme, which was integrated into the capital city's burgeoning financial market, Russki Dom Selenga has focused on the Russian provinces. The company is not licensed by the Central Bank to trade securities or to handle the funds of private investors. *Chrystia Freeland, Moscow*

Russia, Ukraine in gas accord

Russia and Ukraine reached a new agreement yesterday on the repayment of debt to Moscow for the supply of gas. Ukraine agreed to pay over 25 per cent of its $1.2bn (£779m) gas debt to Gazprom, Russia's largest gas company, over the next three months. The remainder will be recouped by selling Gazprom an ownership stake in Ukrainian gas enterprises. This has averted, for the time being, Russian threats to cut Ukraine's gas supplies. Despite the fact that Ukraine has already reneged on two previous debt agreements in April and June, the Russians have adopted a lenient line. Previous attempts to cut gas supplies have failed since Ukraine can siphon off gas from other supply routes - 90 per cent of Russia's supplies to the West flow through Ukrainian territory. Moreover, the cash-strapped government in Kiev is struggling to stabilise its economy. *Jill Barshay, Kiev*

Bosnia Serbs threaten convoys

The Bosnian Serbs have stepped up the pressure on the United Nations, saying they would block UN convoys moving through their territory unless they handed over fuel. Peacekeeping commanders said they would refuse to accept such demands. Meanwhile, fighting intensified near Sarajevo in violation of the UN-mandated heavy weapons exclusion zone, which the Vatican announced that Pope John Paul planned to visit on September 8. The chief Vatican spokesman Joaquin Navarro-Valls said the UN believed it could guarantee the Pope's security. Despite tensions around the city, UN officials are still trying to broker negotiations to reopen the commercial routes into Sarajevo which the Serbs have closed. The move by rebel Serbs to block convoys comes two weeks after their long-time patron, Serbian-led Yugoslavia, imposed a blockade over their rejection of the latest peace plan. *Reuter, Sarajevo*

E German liquidity warning

Eastern Germany's small and medium-sized enterprises are undercapitalised and face serious liquidity problems unless they receive fresh injections of capital and easier credit facilities, the Ifo Institute in Munich and the Institute for Economic Research in Halle warned yesterday. Despite optimistic official forecasts of 9 per cent GDP growth this year in the five eastern states, the institutes show that growth remains concentrated on the construction and food processing sector while the manufacturing base remains uncompetitive. This is because of continuing low levels of productivity which in some sectors, particularly steel and manufacturing, are 40 per cent below west German levels, while wages are currently only 20 per cent below west German levels. Eastern Germany's gdp will total DM239bn (£100bn) this year, but the total wage bill will exceed DM257bn. *Judy Dempsey, Berlin*

Fishing row in southern Spain

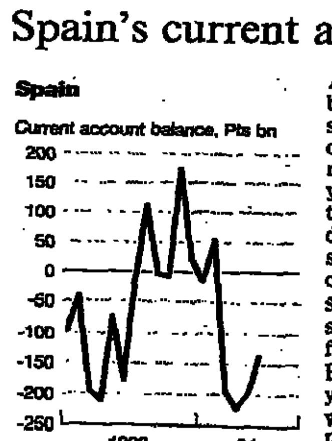
The dispute between fishermen in northern Spain and their European counterparts over the use of drift nets threatens to turn domestic as fishermen in southern Spain say they cannot compete with North Africans in the Straits of Gibraltar without the long nets. The regional government of Andalucia has called on the ministry of agriculture, fisheries and food to regulate the use of drift nets by Spanish fishermen in the straits and help them reconvert their boats for other types of fishing. But fisheries in the autonomous regions of Galicia and the Basque country want Madrid to back a ban on tuna imports and insist that European Union regulations on net-length limits are enforced. EU rules specify that drift nets must be no longer than 2.5 km. Fishermen from Algeria, Tunisia and Morocco are not subject to these rules. *AP, Madrid*

UK, France in fish accord

Britain and France have reached an agreement over the disputed fisheries around Guernsey, the foreign office said yesterday. Waters around the Channel Island were the scene earlier this year of clashes involving French and Guernsey fishing boats and Royal Navy vessels. Under terms of the agreement, which will run initially for a year, fishermen of both sides will be allowed to resume fishing in the disputed areas and confiscated lobster pots will be returned while negotiations on a long-term settlement continue. *PA, London*

ECONOMIC WATCH

Spain's current account boost



Source: Datastream

A boom year on Spanish beaches has already made a significant impact on the country's balance of payments for the first half of the year, with a 33 per cent reduction in the current account deficit compared with the same period last year. Bank of Spain figures yesterday showed a current account shortfall of Pta532bn (£2.6bn) for the six months against Pta791bn at the same stage a year ago. The deficit in June was 21 per cent down at Pta138bn, with the traditional surplus in services boosted by 76 per cent to Pta199bn. The services surplus over the six-month period was 47 per cent higher at Pta726bn. Net tourism receipts of Pta960bn were 30 per cent up since last year. Spain's merchandise trade deficit, meanwhile, was 10 per cent lower in the first half at Pta320bn, according to the bank's figures. *David White, Madrid*

■ Portugal's balance of payments deficit on current account rose to Es145.9bn (£590m) in the first five months of this year compared with Es107.2bn in the same period last year, the Bank of Portugal said.

■ Poland's unadjusted industrial output fell 3.4 per cent in July, but was 16.7 per cent higher than in July 1993, according to the central statistical office.

■ Unemployment in the Netherlands rose on an unadjusted basis to an average of 465,000 in May-July from 461,000 in April-June, the central bureau of statistics said.

■ The Danish national statistics agency reported the trade surplus in April fell to DKr2.12bn (£223m) on an unadjusted basis from DKr3.382bn a year earlier. The April trade balance also showed a decline from March this year, when the balance stood at DKr3.031bn.

هكذا ورد الأصل

Opposition scents power in Sri Lanka

By Stefan Wagstyl in Colombo

Sri Lanka's political future hung in the balance last night after the general election failed to produce a conclusive victory for the ruling United National party or the People's Alliance, a centre-left opposition coalition.

However, there were growing expectations that Mrs Chandrika Kumaratunga, the opposition's charismatic chief campaigner and prime minister designate, would secure enough support from minority parties to form the next government with a slim majority.

Mr D B Wijetunga, the president and UNP party leader, was holding talks with chiefs of different parties on the formation of a new government.

But with no party winning an outright majority, the country seemed set for a period of political instability.

There were fears that some party workers, frustrated at the lack of a clear verdict at the ballot box, might take to take to the streets in violent protests. A curfew imposed on Tuesday night was set to stay in place until tomorrow. "This is the worst possible outcome," said one diplomat. "There's a big danger of violence and of political uncertainty."

The People's Alliance emerged from the election as the largest parliamentary grouping, with 105 seats out of 225. With its ally, the Sri Lanka Moslem Congress, which won seven seats, and the vote of one independent member, the alliance could secure 113 seats – giving it a bare majority. But last night the UNP, which won 94 seats, had not given up hope of holding on to power. Officials had secured the support of the EPDP, a party representing ethnic Tamils in the north, which has nine seats, and they were trying to win over other minority groupings.

Mr Wijetunga said he would form a new cabinet by this morning and pledged to appoint a government which would have the confidence of parliament and to act in accordance with the constitution. The promise was aimed at disarming fears that he might be tempted by party affiliation to favour the UNP. But officials of the People's Alliance were still suspicious of his motives. They said the constitution gave the president wide powers over ministerial appointments.

The People's Alliance fought an energetic election campaign under Mrs Sirimavo Bandaranaike, the 78-year-old former prime minister, and, especially, Mrs Kumaratunga, her daughter. The alliance capitalised on popular demands for change after 17 years of UNP rule. It accused the government of corruption and of failing to end the civil war with Tamil Tiger separatist guerrillas.

The UNP hit back by alleging that Mrs Bandaranaike, a lifelong left-winger, and her allies wish to bring back socialism.

Independent groups monitoring the vote said the poll was peaceful and seemed to have been free and fair.

Dynastic triumph for radical Kumaratunga

By Stefan Wagstyl and Mervyn de Silva

The opposition's performance in Sri Lanka's general election is a personal triumph for their chief campaigner and prime ministerial candidate, Mrs Chandrika Kumaratunga.

It was not clear last night whether the People's Alliance, the multi-party opposition coalition, had won enough seats to take power. But in challenging the supremacy of the United National party, it had done more than enough to establish Mrs Kumaratunga as a politician with formidable personal appeal.

With energy, intellect and a radical reputation, Mrs Kumaratunga attracted the support of many Sri Lankans who wanted change after 17 years of rule by the conservative UNP.

The daughter of two former prime ministers – the late Mr Solomon Bandaranaike and his widow Mrs Sirimavo Bandaranaike – Mrs Kumaratunga has also demonstrated the enduring influence of political dynasties in South Asia.

It has taken a long time for 49-year-old Mrs Kumaratunga to move out of the shadow of her 78-year-old mother. Mrs Bandaranaike refuses to countenance retirement and remains the leader of the Sri Lankan Freedom party, the senior member of the People's Alliance. The two women have at times quarrelled bitterly over control of the SLFP – with each other and with 46-year-old Mr Anura Bandaranaike, Mrs Kumaratunga's younger brother.

Chandrika Kumaratunga

Mrs Kumaratunga was educated in Paris in the 1960s, where she absorbed the heady flavours of French-style Marxism. She returned to Sri Lanka in 1970s, when her mother became prime minister for the second time and launched socialist reforms. The young Mrs Kumaratunga was given a post supervising the distribution of land from big estates to the poor.

She married Mr Vijay Kumaratunga, a film star, who joined her on personal missions to contact the Tamil Tigers, the island's separatist rebels. He was killed in 1989 by Sinhalese nationalists against any compromise with the guerrillas.

Mrs Kumaratunga maintained her status as a radical, developing a reputation as a passionate speaker for the welfare of the poor. Meanwhile, her brother Anura established himself at the centre of the SLFP, well regarded for his tactical skills and moderate views.

Mrs Bandaranaike was torn between the logic of promoting her level-headed son, who seemed likely to make sensible use of the family's political inheritance, and her firebrand daughter, who was much less predictable but whose passion for the poor came closer to her own feelings.

In the event, the matriarch was spared from making a choice when earlier this year, Mr D B Wijetunga, the president, lured Anura into the ruling party with the offer of a cabinet seat. The decision backfired on the UNP because it united the SLFP for the first time in years and permitted Mrs Kumaratunga to take centre stage. Her first electoral test came in March, when she led the party to victory in provincial council polls in southern Sri Lanka – to the chagrin of her brother, who headed the losing UNP campaign.

With real power in sight, Mrs Kumaratunga moderated some of her views, adopting pro-market economic policies, though insisting that such policies must have "a human face."

If the UNP somehow succeeds in retaining power, Mrs Kumaratunga is likely to make a dynamic opposition leader. If the opposition takes office, she will face a difficult challenge as prime minister, trying to hold together a nine-party coalition. Her warm heart will win her many friends, but her inexperience could prove a serious handicap.

Shekel heads towards convertibility

Israelis hail fewer currency curbs

By Julian Ozanne in Jerusalem

Israel's financial reforms are a step towards the shekel's full international convertibility and bring closer the integration of its capital market into the global economy. But the changes announced on Tuesday, allowing companies greater freedom to invest in property, foreign securities and bank deposits, still leave in place a range of controls.

Restrictions will remain on the right of Israeli citizens to buy overseas property, or open foreign exchange bank accounts freely in Israel, or abroad. Israeli banks and economists welcomed the Bank of Israel's reforms yesterday as a long overdue step in the right direction, following changes in July which abolished central bank daily fixing of the exchange rate.

While some analysts feel they do not go far enough, the bank says it is determined to move gradually in the direction of full convertibility, avoiding the experience of other countries which removed controls and then forced to put them back in place.

"We want to move consistently towards full convertibility of our currency and we want to make sure we don't take any steps that may cause a retreat or the tango principle of two steps forward one step back," said Mr Jacob Frenkel, the bank governor. "We want complete integration of Israel into world capital markets and complete competition in our financial system."

The main reform elements are:

● Israeli companies will be able to make unlimited non-financial investments abroad such as purchases of land or private companies. The move abolishes from October 1 a previous limit restricting investments to a maximum of 40 per cent of capital.

● Local companies will also be able, from October 1, to invest up to 10 per cent of their equity or 5 per cent of sales – whichever is the largest – in foreign securities or deposit the amount in foreign bank accounts. At present only exporting companies may deposit up to 10 per cent of export proceeds abroad and all businesses could only invest in Israeli stocks abroad such as those listed in New York.

● Institutional investors including provident funds, insurance funds and pension funds will be able to invest up to 2 per cent of their assets abroad from November 1. These investments will be subject to a 35 per cent tax on returns.

● Foreign companies will, for the first time, be permitted to raise money on the Israeli market and convert it in Israel into foreign currency. The move is subject to parliamentary approval. At present foreign companies can only raise money in Israel if they invest 80 per cent of the funds raised in Israel. The move reciprocates Israel's access to global markets.

Mr David Klein, head of the Bank of Israel's monetary and foreign exchange department, said he was cautious about further moves towards convertibility given the $150bn of financial assets held by the Israeli public. "We don't want to wake up one morning and find all our foreign exchange shifted overseas," he said. "We want to let companies do as much as they need to do with the minimum of interference while being sure we have a lid on the total amount that can be moved abroad."

However he said that within the next two years Israel could move as close to full convertibility as many other developed countries without removing all curbs on foreign investments by institutional investors. "You don't have to let every shekel move freely to have international convertibility," said Mr Klein.

Further moves by Israel towards convertibility will, however, depend on control over inflation and continued fiscal discipline. Israel has had solid achievements in the past five years in budget deficit reduction limiting the deficit this year to 3 per cent with a target of 2.75 per cent of GDP for 1995.

Performance on inflation has been more disappointing. The Bank of Israel managed to wrestle inflation down to 10 per cent last year but prices have risen this year by around 13-14 per cent. Israel is unlikely to take bolder measures towards convertibility without bringing inflation down towards levels of developed countries.

However, in preparation for surrendering exchange controls further Israel also announced reforms in the policy instruments available to the Bank of Israel. The government increased by 50 per cent the bank's ceiling on issuing short-term treasury bills from Shk10bn (£2.1bn) to Shk15bn and said in future the ceiling would be increased automatically with the money supply.

The government also permitted the bank to intervene in the bond market.

Markets surprised by tax on share profits

By Julian Ozanne

Brokers and market analysts said yesterday they were surprised by the Israeli government's sudden reversal of policy on Tuesday with the announcement of a 10 per cent tax on real stock market profits.

Most experts predicted the market would see a wave of selling in the short-term when it re-opens on Sunday, further depressing the benchmark Mishtanim index of the top 100 companies, which has fallen 25 per cent this year from a peak of 250 points to around 180.

They also said the government's lacklustre privatisation efforts would suffer another blow and hoped it would find ways to allow individuals to offset the tax against losses.

However, many analysts accept the move brings Israel into line with global markets.

Reflecting the mood of many of the country's economists, the Jerusalem Post said in an editorial yesterday: "There is a glaring unfairness in taxing wage earners and not stock market speculators and there is no reason not to follow the example of most of the world's money markets."

Finance Ministry officials also believe the move could help to stabilise the volatile market by making highly speculative entry and exits less attractive.

More importantly, experts believe the government's tax reform package will help to sustain medium-term growth of around 5 per cent a year and help to battle inflation, which has risen to 13-14 per cent this year.

Mr Avraham Shochat, finance minister, said the expected Shk500m (£107m) revenue from the capital gains tax would allow the government to reduce the tax burden on employers.

Among the measures announced by Mr Shochat are a cut in national insurance employer taxes from 2.4 to 1.93 per cent from October 1 to forestall further rises in prices as a result of the large cost of living increase being paid in this month's salaries. The reduction will amount to Shk300m annually.

The treasury also announced reductions in purchase taxes totalling about Shk480m on a number of items such as air conditioners, computers, batteries, white cement, telephones, car parts, liquid soap, shampoo and toothpaste. Mr Shochat also said he was pressing ahead with unilateral trade liberalisation, reducing duties on imports from countries with no trade agreement with Israel. Duties on most items will drop 5-10 per cent.

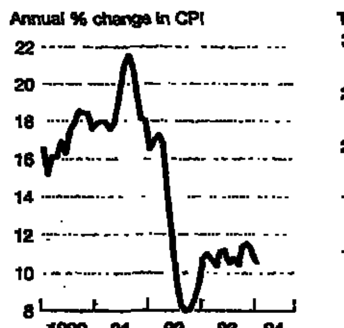
The effect of trade liberalisation and tax cuts, on top of next year's Shk800m reduction in taxes, should considerably reduce inflationary pressures.

Mr Jacob Frenkel, governor of the Bank of Israel, said the cost reduction elements of the package would help in the war against inflation but represented moves to make the economy more efficient and were "not a substitute for conventional macro-economic policies designed to tackle inflation".

Economists said the governor's remarks were a clear hint about a further increase in interest rates – the fourth rise this year. Interest rates charged by the Bank of Israel to commercial banks have risen since January from 10 to 12.5 per cent.

Israel: Inflation

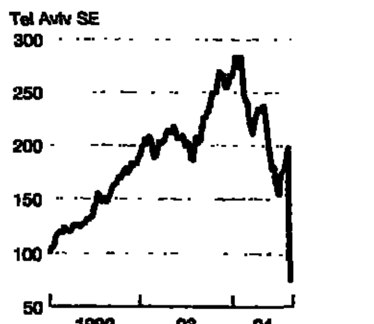
Annual % change in CPI



Source: Datastream

Israel

Tel Aviv SE



Source: Datastream

Telecom officials jailed in Taiwan bribery scandal

By Laura Tyson in Taipei

A Taiwan court yesterday handed down prison sentences to six officials from the Directorate General of Telecommunications and acquitted eight others in a highly publicised bidding scandal involving $220m (£142m) in cellular telephone contracts.

Mr Meng Chih-chung, former director of the DGT's Long-Distance Telecommunications Administration, was sentenced to seven years in jail for his role in the affair. He was convicted of forging documents and granting illegal favours to Ericsson of Sweden. Five other directorate officials received sentences of five to six years on similar charges.

Objections by Motorola, the US telecommunications company are believed to have played a role in unveiling irregularities in the awarding of the contracts. Motorola lobbied US authorities, who in turn expressed concern over the case to the Taiwan government.

Ericsson, which was not charged in the scandal, won all six contracts put to tender by the DGT between 1988 and 1991 for mobile telephone switching systems totalling $220m. Of the six tenders, two were awarded through competitive bidding. Citing emergency demand and product compatibility, the LDTA awarded the remaining four contracts directly to Ericsson rather than offering them through open tender. Prosecutors have said they did not discover any cases of the company paying bribes.

Ericsson said yesterday it had always rejected the bribery allegations and noted that they had not formed part of the court case.

UN warns of world's creaking cradle

Annual population report points to huge strains on resources, writes Bronwen Maddox

The world's population is set to reach a staggering 10bn by the middle of the next century, up from 5.7bn now, the United Nations warned yesterday.

The annual report from the UN's Population Fund (UNFPA), released yesterday, says the projections assume that the average number of children born to each woman will continue to fall, as it has done steadily for several decades (see accompanying story).

If birth rates fall by more it expects the world's population may be as low as 7.8bn people in 2050. If they stop falling, the total could reach 12.5bn.

The difference between the upper and lower projections – nearly 5bn people, as much as the world's current population – has huge implications for prosperity, migration and demand for natural resources. But in advance of a UN conference in Cairo next month, controversy is mounting over how countries can try to restrain population growth, or whether they should do so at all.

Global figures conceal the diverging fortunes of different regions. Africa's population growth of 2.9 per cent a year is the highest in the world, easily outstripping Asian and Latin American growth of less than 2 per cent, the report says. Although many developing countries have seen steady falls in total fertility rates – the average number of children born to each woman – they have also seen life expectancy soar in the past 40 years from 41 years to 61 years, according to the UNFPA.

Industrialised countries can expect their share of the world's population to shrink given their slow rates of population growth: about 1 per cent a year in North America, 0.5 per cent a year in the former Soviet Union and 0.3 per cent a year in western Europe. Meanwhile, their populations are ageing: the UNFPA expects the proportion of people aged 65 and over in industrialised countries to rise from the present 12.7 per cent to 18.4 per cent by 2025.

The report flags a long list of economic, social and environmental concerns that follow from its projections. It warns that population growth will put huge strains on the supply of natural resources such as forests, fish and clean air.

It dismisses fears of an "overall global shortage of food" of the kind much voiced by "Club of Rome" school of forecasters some 20 years ago, pointing out that "during the past 10 years, the world's food production has increased by 24 per cent, outpacing the rate of population growth".

But the report points out that the improvement in food production has been unevenly distributed; in Africa during the past decade, food production fell by 5 per cent while population rose by a third. The report concludes that while production "should be sufficient to meet all needs for the foreseeable future ... poverty translates global adequacy into national and local shortages".

Water, as much as food, may prove "an increasing cause of friction" between countries and regions, the UN suggests. Rapidly industrialising countries such as China are facing intense demand for water supplies from industry as well as from rural populations which are continuing to grow.

Developing countries should brace themselves for huge internal migration as surplus rural labour travels to the towns to look for work, the UN warns. The report estimates that 1.3bn will be added to the workforces of Asia, Africa and Latin America between 1995 and 2020. It adds that cities are likely to contain half the world's population by the end of the century.

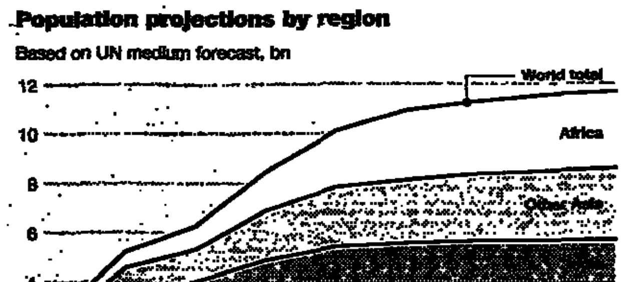
For their part, developed countries need to consider how to respond to rising pressure for immigration, particularly along Europe's and North America's southern borders. The UN describes present levels of international migration as "hardly significant numerically – about a million people a year – compared with movement within countries toward urban areas". But it warns that such migration has "a social and economic impact out of proportion to its numbers".

State of World Population 1994, United Nations Population Fund, 220 East 42nd St, New York, NY 10017 USA

See editorial comment

Population projections by region

Based on UN medium forecast, bn



Source: UNFPA

Fertility rates are down but not enough

The UN's population report tells of a dramatic drop in fertility rates in the past 40 years, even in some of the world's poorest countries, Bronwen Maddox reports.

In Asia and Latin America the fertility rate has nearly halved from 5.9 to about 3 children per woman in that period, although Africa (including northern African states) has showed a smaller decline from 6.6 to 5.8. Even in developed countries, rates have fallen from 2.8 to 1.7 over that period.

These patterns have forced demographers to modify the old assumption of a link between low birth rates and economic wealth in favour of a more complex picture. Some countries, such as Bangladesh, have achieved steep falls in fertility rates despite relative lack of economic growth. Others, notably Pakistan and Middle Eastern countries, continue to have large average family sizes despite relatively high levels of economic prosperity.

The UNFPA draws a close connection between low fertility rates and the availability of contraception, even where gross domestic product per head has not risen greatly. It attributes roughly half of the fall in worldwide fertility rates to improved distribution of contraceptives.

The other half, it says, is due simply to the determination of parents to have fewer children, even when contraception is not available. Even the poorest families, UNFPA officials say, work out that they can spend more on each child if they have fewer children.

Demographers have long agreed that improving women's education plays an important part in reducing family sizes. But the UN report suggests that newer pressures are also providing powerful motivation. When workers move to towns from the countryside they tend to delay having children and to have fewer. Anecdotal evidence from west African countries also suggests that looming land shortages are curbing the size of rural families.

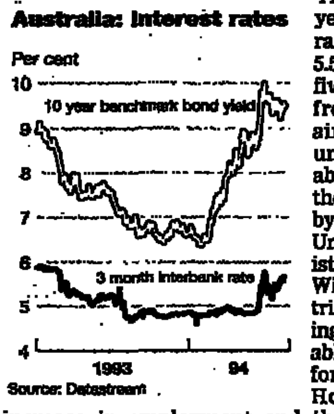
These new factors may be helping to push down fertility rates even in Africa and central America, the regions which have persistently had the highest rates, Mr Alex Marshall of UNFPA suggests. Since the first half of the 1980s, Tanzania has seen fertility rates drop from 6.7 to 5.9 children per woman, Namibia from 5.8 to 5.3 and South Africa from 4.8 to 4.1.

NEWS IN BRIEF

Australia raises interest rates

Australia: Interest rates

Per cent



Source: Datastream

The Australian Reserve Bank yesterday raised official interest rates by 0.75 percentage point to 5.5 per cent, the first rise in in five years, Emilia Tagaza reports from Melbourne. The rise is aimed at keeping Australia's underlying rate of inflation at about 2-3 per cent and preventing the economy, which has grown by 5 per cent, from over-heating. Until a fortnight ago, Prime Minister Paul Keating and Mr Ralph Willis, the federal treasurer, had tried to delay the increase, saying that inflation was manageable and that business borrowing for investment was still slow. However, the continuing increase in employment and the strong growth in building approvals and home-lending have sparked concern over inflationary pressures.

The timing of the Reserve Bank's announcement was finally influenced by the latest rise in US interest rates, the fifth increase in that country since February.

The financial markets expect the Reserve Bank move to be only the first in a series of interest rate increases. Mr Chris Caton, chief economist at the Bankers' Trust Australia, said rates could be expected to go up again towards the end of the year or early next year. He said rates could peak at 8 per cent, well below the 18 per cent high reached in January 1990.

The Reserve Bank also moved to rein in home lending, which has been growing at more than 20 per cent a year over the past two years. The bank specifically wants to restrict lending of more that 80 per cent of the value of a home.

Indian MPs end boycott

Indian opposition parties yesterday ended a two-week boycott of both houses of parliament, after the government backed down in a dispute over the findings of a parliamentary inquiry into the $1.28bn Bombay stock market scandal. The opposition walked out three weeks ago over what it alleged was a cover-up after the government partly rejected the recommendations of an all-party report on the scandal.

Mr Sivraj Patil, speaker of the lower house, said the government had agreed to "revise, modify and resubmit" its "Action Taken Report" which was its response to the parliamentary inquiry. Mr Vidya Charan Shukla, minister for parliamentary affairs, said the government would present a supplementary report to the Action Taken Report only after discussions "inside or outside parliament". Mr Shukla said the opposition would give in writing specific issues or "points" that needed to be reconsidered.

The opposition had demanded that the government accept the committee's recommendations and take action against three ministers – including Finance Minister Manmohan Singh – criticised in the report. Other demands include action against top bureaucrats and officials of the Reserve Bank of India, the central bank. The opposition also insists on further penal action against foreign banks implicated in the scandal.

Mideast peace talks rescue

Senior Israeli and Palestinian officials met in Egypt yesterday to rescue peace negotiations from collapse amid mounting tension over speeding up Palestinian self-rule to the West Bank and the unstable security situation in the Gaza Strip, Julian Ozanne reports from Jerusalem. Mr Shimon Peres, Israeli foreign minister, said before the meeting in the Mediterranean city of Alexandria that "the Palestinian side and we are struggling very hard so that this thing will not collapse". He said attacks on Israelis by Palestinian militant and deteriorating economic conditions of Palestinians in Gaza are "threatening" the self-rule agreement.

NEWS: WORLD TRADE

Drought-hit Japan is to import water

By Gordon Cramb in Tokyo

A 30 per cent cut in Tokyo's water supplies this week – the latest consequence of Japan's long hot summer – has forced large industrial users to enter the international market for water, and the government to placate households by abolishing regulations inhibiting bottled water imports.

Bottled water has been disappearing fast off the supermarket shelves and domestic water producers with order books worth as much as 100 times daily output say they may have to ration distribution.

In Tokyo, the Tone reservoirs, the main source of water for the Tokyo area, will dry up by the end of August if the weather continues as predicted by the Meteorological Agency.

Japan Energy, a big petroleum refiner, is shipping at least 31m litres of industrial water from South Korea, Hong Kong, China and possibly Vietnam. It will be used as a coolant at facilities which would otherwise have had to cut back production. The country's chemical and semiconductor industries may also have to seek foreign water supplies.

Japan Energy will spend some Y11m ($109,500) on the initial shipment of 6m litres and it may at least be relieved that it is paying less than 1 per cent of the Tokyo retail price.

Meanwhile, the ministry of health and welfare said yesterday that it would revise its standards on mineral water to bring them closer to international criteria.

The ministry's revised standards are likely to be too late to have much impact this summer but they promise to benefit European suppliers in the longer run.

Imports such as Evian and Perrier have a roughly one-fifth share of a Japanese market worth upwards of Y30bn ($300m) a year. Others, like Badoit, have been restrained by ministry regulations which limit the presence of numerous trace elements. Manganese and iron are among those which may come off the list.

The ministry is also seeking to relax controls specifying taste, colour and smell. "Until now they have wanted mineral water to taste as much like tap water as possible," said one Japanese television commentator last night – a requirement which rather defeats the purpose of the industry.

After five years of rapid growth, import penetration of bottled water flattened last year. It is commonly sold at a premium of nearly a third to domestic brands and cuts in employee bonuses have brought greater austerity in recession-bound Japan.

In this harsher climate, foreign suppliers have found one niche. The ministry prohibited the manufacture in Japan of plastic PET bottles of half a litre or less in capacity – allowing 330ml bottles of brands such as Volvic to dominate the dancefloors of Tokyo's nightclubs. The low recycling rate for the bottles was given as one reason for the ban.

However, with industry now being forced to import water, the ministry of international trade and industry, guardian of all Japanese manufacturers, is now more concerned about the country's lack of water recycling or desalination plants.

However, the minister, Mr Ryutaro Hashimoto, disappointed foreign contractors when calling for more desalination and recycling plants, by insisting Japan had the necessary technology.

It is the health and welfare ministry which is considering help for regional governments next year to enable them to build desalination plants to convert seawater to fresh water, which is cheaper than building new dams.

Japan's first large plant, capable of producing 40,000 tonnes or 40m litres of water a day, is already being built in the southern islands of Okinawa.

NEWS IN BRIEF

Japanese cool on car imports

Nearly two-thirds of Japanese car dealers who do not distribute imported cars have no plans to do so, according to a survey by the Japanese Automobile Dealers' Association, writes Emiko Terazono from Tokyo.

Of the 433 dealers surveyed, only 0.9 per cent said they were making arrangements to deal in imported cars and 28.2 per cent said they were considering doing so. A separate survey of JADA members revealed that dealers were nervous about the quality and availability of services and parts supplies for US cars as well as the availability of exclusive distribution contracts.

Japanese dealers' reluctance to handle imported cars has been criticised by the US government and foreign car companies as an unseen trade barrier but the association said US manufacturers and suppliers should address the concerns raised in the survey.

Cathay to invest in Xiamen airport plan

Cathay Pacific Airways, of Hong Kong, is to inject around a third of investment of HK$1.1bn ($142m) to upgrade Xiamen airport, China's fourth largest. Under the deal, with the Xiamen government, Cathay will take a one-third stake in a joint venture company set up to manage the airport, writes Louise Lucas from Hong Kong.

Cathay plans to extend the runway to 3,400 metres, to enable Boeing 747s to use it. Xiamen Airport has 2.6m passengers annually but Cathay estimates that this will rise to 3m this year and 12m by the year 2005.

Faulding buys Chinese drugs company

F H Faulding, the Australian pharmaceutical company, is to buy a 90 per cent interest in a leading Chinese pharmaceutical company, writes Emilia Tagaza from Melbourne.

F H Faulding is to buy all the issued capital of the Hong Kong company, Merrywise, for around A$40m ($30m). Merrywise already has an agreement with the Foshan city government, in China's Guangdong province, to buy 90 per cent of Foshan Horizon, which manufactures, markets and and distributes pharmaceuticals. Foshan Horizon, which recorded sales of A$20m in 1993, will manufacture both western pharmaceutical products and traditional Chinese medicines.

Statoil awards Norwegian oilfield contract

Asea Brown Boveri, the Swiss-Swedish engineering group, said it had won a NKr350m ($51m) order from Statoil, the Norwegian state-owned oil company, to deliver valves and well-head systems for the Troll, Sleipner west and east and Veslefrikk fields, Reuter reports from Stockholm. ABB Offshore Technolgy would also be involved in the installation, servicing and testing of the equipment, the company said.

Nader opposes planned world trade body

Opponents of the proposed World Trade Organisation have mounted a television advertising campaign warning that the US is turning its sovereignty over to faceless bureaucrats in Geneva, writes Nancy Dunne from Washington. Mr Ralph Nader's Public Citizen took the campaign to Capitol Hill this week with the delivery of pillows to every member of Congress which bore an inscription warning that the proposed body would "kill popular consumer environmental laws" or require "perpetual sanctions when these laws are successfully challenged in the organisation". Gatt opponents are hoping to stall passage of the implementing legislation for the Uruguay Round this year, as nearly happened with the North American Free Trade Agreement.

Brazil-Bolivia pipeline block

Angus Foster on stalled negotiations for a $1.8bn natural gas project

To the president of Bolivia, Mr Gonzalo Sánchez de Lozada, it seems simple. His country has a huge surplus of natural gas, while its neighbour, Brazil, has an impending energy shortage. Pumping cheap gas to Brazil's industrial south should therefore make everybody happy.

But, as Mr Sánchez de Lozada has discovered during negotiations in Brazil this week, contracts involving natural resources and sovereignty over infrastructure are rarely straightforward. Although both sides agree that the $1.8bn pipeline will eventually go ahead, arguments about shareholdings in the project and the volumes to be pumped threaten to delay the venture further.

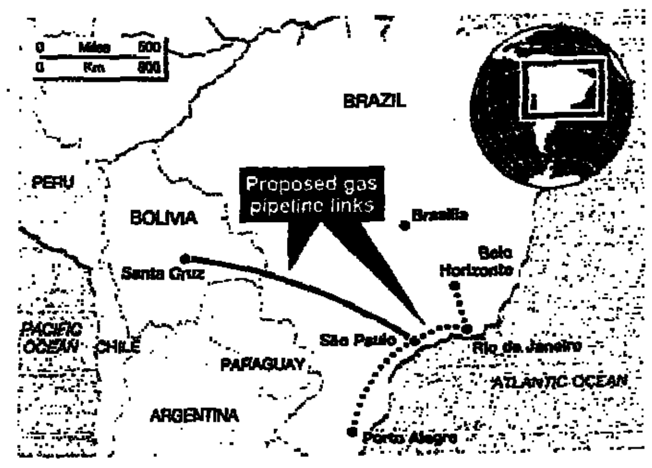
"The project is of the highest importance to Bolivia but no bank is going to finance it unless they can see the pricing and volumes are right. This is not a question of brinksmanship or who wins," he says.

Brazil and Bolivia have long talked of building a gas pipeline but negotiations only began in earnest in 1991, when a Brazilian study concluded that gas was more efficient and environmentally sound than other energy sources, and could reduce oil imports by at least 100,000 barrels a day.

As such, it seemed to offer a solution to Brazil's looming energy shortage.

About 95 per cent of the country's electricity comes from hydroelectric power stations. But these take up to 10 years to build and the government's economic problems have halted construction at many stations.

"If the country grows at 4 per cent a year – not fast for Brazil – in three years we will reach capacity. Gas would be an alternative for this "black hole" between the finishing of the halted plants and opening of new ones," says Mr Eugênio Mancini Scheleder at Brazil's mines and energy ministry.



The two countries agreed in February last year to build a 3,400km pipeline between Santa Cruz in Bolivia and Brazil's industrial capital São Paulo. Brazil was to begin by buying 8m cu m of gas daily, rising to 16m cu m within seven years.

Then the problems started, first over pricing. Brazil said the cost to its consumers of imported gas had to compete with subsidised electricity prices, thereby undermining Bolivia's profit margin. Petrobrás, Brazil's oil and gas monopoly, took a particularly aggressive stance in the negotiations, arguing that Bolivia, one of Latin America's poorest countries, badly needed the project to earn foreign exchange and that Brazil was Bolivia's only potential customer on the continent.

The biggest row, which President Sánchez de Lozada and Brazil's President Itamar Franco have been trying to defuse this week, is over shareholdings. Brazil's constitution assures Petrobrás a monopoly over the production and import of oil and natural gas in Brazil. Petrobrás believes this means it should hold 51 per cent of the shares in the Brazilian portion of the pipeline, easily the largest section. Meanwhile, both sides have agreed that they will take small, symbolic stakes in each other's pipeline.

In what might have been a bid to head off further debate over shareholdings, Petrobrás announced at the weekend that it would work with BTB, a joint venture between BHP, Tenneco and British Gas, on the project, with BTB holding a significant but as yet undefined shareholding.

However, President Sánchez de Lozada this week arrived in Brazil saying Bolivia wanted a 49 per cent stake in the pipeline, instead of the 4 per cent Petrobrás allegedly offered. "We have the gas, they have the market. It should be parity," he says.

Bolivia seems to have raised its shareholding demand as a negotiating tactic to persuade Brazil to increase the volumes of gas it will buy. Bolivia needs the extra money to develop its gas fields and reserves.

Negotiations about the shareholdings were continuing yesterday, the closing date for the original contract, at presidential level. A compromise is likely, even if the sides only agree at this stage to delay a decision but extend the contract. "The pipeline is too good for too many people for either side to walk away," according to a member of BTB.

But the arguments have highlighted how much work still needs to be done before construction can begin. Under the original contract, financing was meant to be in place by now. But discussions with banks and international agencies has so far been preliminary because of delays and confusion over the project's structure. Detailed feasibility studies and market testing have not yet started, even though Brazil wants to begin construction in the third quarter of next year. To do so, financing needs to be in place by the middle of next year: a target which is described as "aggressive if not impossible" by another BTB member.

Brazil says the main part of the project needs investment of $1.4bn, of which $600m will be in equity and $800m in debt finance. Raising that much money should not be difficult, given the project's environmental advantages and importance to Bolivia. But the wrangling is unhelpful, particularly after the World Bank hinted it was unhappy lending to a project where the state-owned – and autocratic – Petrobrás was a majority shareholder.

Congress urged to reject R&D proposal

A coalition of US companies has joined foreign businesses to oppose legislation, now in a House-Senate conference, which treats foreign companies differently from US companies in government research and development programmes, writes Nancy Dunne in Washington.

At issue is the Manton Amendment, attached by Congressman Thomas Manton, to the National Competitiveness Act. The Act funds and expands US government involvement in R&D and manufacturing. The amendment allows participation by foreign companies only if their governments allow US participation in their R&D schemes.

US business groups, including the Chamber of Commerce, European-American Chamber of Commerce, and Computer and Business Equipment Manufacturers' Association, say the Manton Amendment would keep even major US companies from participating in the US technology programmes. "Narrow eligibility criteria discourage beneficial foreign investment, invite retaliation against US exporters and US companies doing business abroad and violate our obligations under international agreements," they said in a letter to Mr Ron Brown, commerce secretary.

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Support trickles back for Clinton crime bill

By George Graham in Washington

President Bill Clinton's crime bill could be heading back to the floor of the House of Representatives for another vote tomorrow, as a trickle of waverers started to move over to the president's side.

Since the bill was blocked last week on a 225-210 procedural vote, Mr Clinton has hammered away at the Republicans who provided most of the opposition, while at the same time offering concessions to persuade some members to change their votes.

A successful vote on the crime bill would restore some momentum to the president's stalled legislative programme. He is still making grindingly slow progress in the House on his principal objective, healthcare reform. But this at last began to move forward in the Senate on Tuesday, when the first amendment to the Democratic leadership's bill, to speed up the provision of prenatal care, passed by a vote of 55-42.

Mr Clinton needs only eight House members to change their votes in order to bring the crime bill back to the floor. Some black members now say they are willing to switch in exchange for Mr Clinton's promise to work on the uneven application of the death penalty to black and white defendants.

And some Republicans who favour gun control but voted against the bill last week are now ready to vote for it, provided some face-saving changes can be negotiated to give them a justification for switching.

White House officials said four points were not negotiable: funding for 100,000 new police officers, a ban on assault guns, the "three strikes and out" rule of life imprisonment for a third violent crime, and significant funding for crime prevention programmes.

Despite a readiness to make compromises, senior administration officials continued to attack the Republicans.

"The issue, very simply, is whether or not enough members of Congress are going to have the courage to vote against the National Rifle Association, which has put on a full court press to try to defeat this ban on assault weapons," Vice President Al Gore said yesterday.

In political terms, the argument has turned into a game of chicken. Neither Republicans nor Democrats are absolutely sure which side will pay the greater price with voters in the November congressional elections if anti-crime legislation, which is generally popular, fails to pass.

Immediate polls show Mr Clinton's stock falling in the wake of last week's defeat on the bill. Many political analysts believe the Democrats will suffer most because they will be seen as incapable of getting anything done, despite controlling the White House and both houses of Congress.

But in some districts Republicans are catching flak from mayors, police chiefs and constituents for blocking the bill.

Private insurer in tobacco lawsuit

The state of Minnesota, and Blue Cross and Blue Shield of Minnesota, are suing various elements of the tobacco industry to recover Medicaid and insurance costs tied to smoking-related ailments, AP-DJ reports from New York.

The suit, filed yesterday, is the first such action in the US joined by a private insurer.

The state government, Blue Cross and Blue Shield are Minnesota's largest insurers. They are suing the big six tobacco companies, claiming conspiracy, anti-trust violations and fraud.

In the south of the US, the Mississippi state attorney-general filed a similar suit in May, and Florida lawmakers authorised a lawsuit this year.

The Minnesota suit alleges consumer fraud, and a conspiracy to conceal the health hazards of cigarettes and to manipulate nicotine levels.

The suit also alleges that the tobacco industry controlled the market for cigarettes in violation of a state anti-trust law. The suit did not specify the amount of damages sought.

A Philip Morris spokesman could not be reached immediately for comment. In the past, tobacco companies have said no conspiracy existed.

The Mississippi suit relies on state law in respect of unjust enrichment and breach of contract. The suit has not yet reached court.

In May, the governor of Florida signed a law that not only allows the state's attorneys to sue to recover smoking-related Medicaid costs, but would also deny the tobacco industry such traditional legal defence as the argument that smokers knew the risks and chose to smoke.

Florida has not yet filed a suit under the law, partly because the tobacco industry is challenging it on constitutional grounds.

Latins defer to UN over Haiti crisis

A group of Latin American governments has cancelled a planned mission to Haiti to discuss the country's political crisis with its military rulers, and will instead allow the United Nations to lead its own mission, Canute James reports from Kingston.

The governments – including those of Bolivia, Brazil, Colombia, Mexico, Uruguay, Venezuela and several in Central America – gave way to the UN after suggestions that Haiti's military would use the visit to seek further talks and delay its departure from office, according to diplomats in Port-au-Prince, Haiti's capital.

The mission was intended to persuade the military leaders to step down and prevent a US-led military invasion to return President Jean-Bertrand Aristide to office from his enforced exile. The UN mission was announced after the security council had voted to authorise the creation of a multinational force that would use "all necessary means" to re-establish democracy in Haiti.

The neighbouring Dominican Republic will allow up to 2,000 Haitians into the country for transportation on to the US. Nearly 800 Haitians already granted asylum in the US have been stranded in their country because of flight bans as part of the embargo of Haiti.

Brazil grants pay rises to quell row

Brazil has moved to resolve a row over public sector pay with a compromise which the government hopes will head off complaints by the civil service and the military, but not damage administration attempts to control spending, reports Angus Foster in São Paulo.

The government has awarded pay rises of up to 16 per cent for some lower-paid civil service grades, while the average military rise was 11 per cent. The total monthly cost of the increases, which are to take effect from next month, is the equivalent of about \$129m (£84m).

The pay rises, partly designed to bring wages for the executive arm of government into line with those of higher-paid members of the legislative and judiciary, were less than public sector unions and military leaders had demanded.

But the government has stressed its need to keep a lid on spending so as to balance its budget, seen as crucial for the credibility of the country's new currency, the Real.

The government said a further review of salaries for these and other groups was possible in November. Brazil's presidential elections – whose first round is due on October 3 - will be over by then, allowing the present government greater freedom of action.

Balaguer attacks 'intrusion'

President Joaquín Balaguer of the Dominican Republic has attacked what he called "foreign intrusion" in the country's domestic affairs, following renewed US criticism of the conduct of the election which kept him in power, Canute James reports from Kingston.

Speaking at his inauguration for a seventh term, the president echoed earlier statements by government officials and functionaries of the ruling party that some countries, mainly the US, were becoming too involved in the politics of the Caribbean country, and were intent on unifying it with Haiti. Both countries share the island of Hispaniola.

His statement on Tuesday followed the publication of a letter from Ms Donna Hrinak, US ambassador to the Dominican Republic, which was sent to the country's electoral board.

She suggested an investigation of the election, held on May 16. Mr José Francisco Peña Gómez, who was deemed to have lost the presidency narrowly to Mr Balaguer, has been supported by foreign observers of the election, and by the US government, in his charges that the elections were tainted.

Ms Hrinak attended the inauguration of the 87-year-old president, but the ceremony was boycotted by Mr Peña Gómez. The opposition leader has been angered by the ruling party's deputies having rejected an agreement, reached with Mr Balaguer, for a new election next year.

The legislature has delayed the election until 1996.

Christopher comfortable in a job he's sticking with

Jurek Martin talks to a much maligned US secretary of state with some foreign policy victories to show off

Suddenly, Mr Warren Christopher does not look or sound like a man who is winding down his portfolio. Maybe it is progress in the Middle East or fruitful relations with Russia, or perhaps it is the more mundane prospect of two weeks off in California starting this weekend.

But, with the Clinton administration under so much fire on so many fronts, the much maligned US secretary of state seems relatively perky these days. A one-on-one interview, part of a small series with the media, was designed to show a man in command of his brief and not about to leave it.

He had already this week earned the high praise, on the Middle East if not Bosnia, of a frequently severe critic, Mr Anthony Lewis, the New York Times columnist, who also had been given an extensive interview.

Mr Christopher was ready for the one question that had to be asked about his security in office. "The president and I are working on a number of problems with a very long time line ahead. Under his direction and with his strong support, I expect to be working on them for some time... (pause and small smile)... with the grace of God." He goes on: "Preoccupation with my future is one I don't share."

The second message was directed at Europe – and perhaps (though never mentioned by name) Dr Henry Kissinger, who just that morning had unleashed one of his regular broadsides accusing the administration of neglecting the Atlantic alliance because of its over-emphasis on Russia.

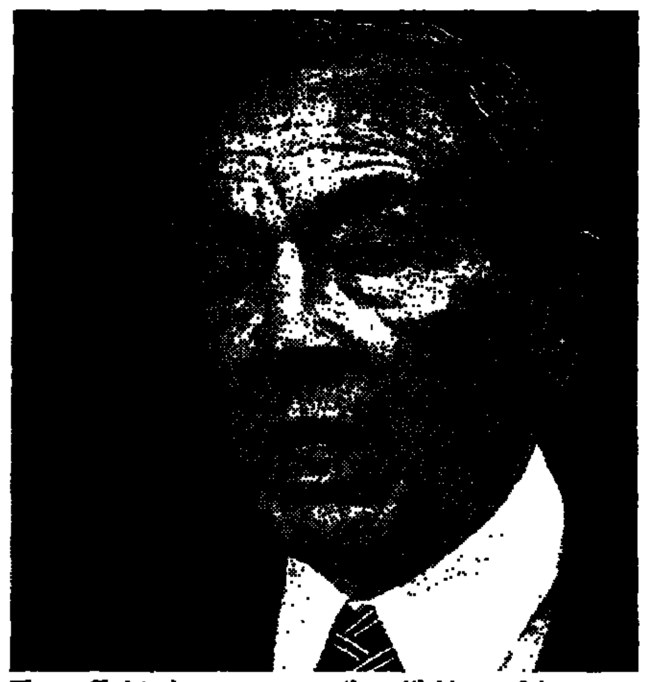
The word is that Europe matters, as witnessed by three presidential trips this year and many more by Mr Christopher himself. "The irony is I've spent more time on European security than on the Middle East," which is widely considered to be the leitmotif of his tenure.

Towards the end of last year, he says, the US was looking at a "sulphurous" trade conflict with western Europe.

But the Gatt agreement "lifted the cloud" and contributed, along with a lot of leadership from Mr Manfred Wörner, the late Nato secretary general, to the improved climate that brought about Nato's Partnership for Peace programme of co-operation with the former Warsaw Pact nations. (Mr Christopher is delivering a eulogy at the memorial service for Mr Wörner tomorrow.)

The search for "new or renewed architecture" had been a constant imperative. Mr Christopher sees nothing wrong in the Conference on Security and Co-operation in Europe (CSCE), which Dr Kissinger commended as the best vehicle for working with Moscow.

But he maintains that building mutual confidence between Nato and the former Warsaw Pact ought to be based on the practical experience that PFP was intended to foster. In any case, the direct Washington-Moscow channel had worked well enough in attempting to resolve the status of Russians still in the Baltics.



Warren Christopher: no preoccupation with his own future AP

"Never forget, too, that it was the Europeans who came to us in January" for help on Bosnia, he says. The Bosnian "contact group" had done much good work. "It was worth taking time to keep the Russians on board," while, with Britain and France "we can't turn away from our long-standing friends." It took time, also, to establish "the Moslem bottom line".

Yet he does not deny the possibility of another crunch with the allies if Mr Clinton follows the will of Congress and ends, unilaterally if necessary, the arms embargo on Bosnia early in November, assuming the Bosnian Serbs have not by then signed up to the peace plan.

"No one is ready to give up on the possible acceptance of the contact group plan," he insists, but adds that it would be unwise to pin too many hopes on President Slobodan Milosevic of Serbia delivering the signature of the Bosnian Serbs.

"He will take some steps, but not too many," partly because of the sort of pressure from his ultra-nationalists that led him to reject the posting of UN monitors on the border with the Bosnian Serbs.

In that event, "it will be time to ring up the sums". It had always been clear, he says, that "there might come a day when the time would come to lift the embargo." Even the Russians, he implies, understand this.

If that renders the presence of Unprofor in Bosnia untenable, then, in effect, so be it. Mr Christopher suggests that such a decision might in any case "coincide" with domestic pressure in Britain and France for a withdrawal of their Unprofor contingents.

The secretary of state is not given to sweeping visions or grand strategic concepts, which frustrates his critics. Even when addressing human tragedies such as Bosnia and Rwanda, he still speaks like the lawyer he is.

Thus Bosnia, he repeats, is "an important – but not vital – interest to the US". Rwanda and Burundi could be placed in the same category, though Haiti, as a potential hemispheric source of instability, is of a different order.

With some hope, he says, "we could well be working out an approach more akin to case law than the enunciation of great principles". He takes encouragement from the fact that the proposed Bosnian war crimes tribunal has already indicated its willingness to extend its jurisdiction to Rwanda.

Somalia, he goes on, "showed us what we can do (bring relief) and what we can't do (nation-building)". Preventative diplomacy is always worth a try – and is now being applied by the US in Burundi, with envoys stressing the "lessons of integration". Similarly, the US is urging the Algerian government "to press for a dialogue with Islamic groups committed to a non-violent future".

But in a democratic society such as the US, "we don't have an inexhaustible supply of support or patience" for efforts to solve distant and intractable problems.

In Africa, especially, it does not help that regional engagement is so weak, with Nigeria, the "former backbone of the OAU [Organisation of African Unity]" in "such a dangerous situation", and with the new South Africa probably ill-advised "to spread its resources too thinly" elsewhere in the continent.

Even closer to home, he remains quintessentially cautious. Asked if there was not now an opening to engage Cuba's President Fidel Castro he merely acknowledges domestic political constraints, though hopes there may be "signs of movement" among Cuban Americans committed to the overthrow of the Havana regime.

But in the hierarchy of US responses nothing can compare with attacks on the US itself, its citizens and its allies, none of which, he notes with some pride, has "really happened" (except arguably in Somalia) since he has been on the job.

In the second tier come issues related to nuclear non-proliferation, be it the threat posed by North Korea or the dismantling of former Soviet missiles stationed in Ukraine, Belarus and Kazakhstan. "I don't believe we've been given enough credit for handling these problems," he says.

Only on Washington politics would Mr Christopher go off-the-record and then only to respond with a grin and the words "no comment". That is, at least, one proven way of surviving in the capital.

Takeovers seen to boost executive pay

By Robert Taylor and William Lewis

Takeovers and increasing company indebtedness boost the pay of top directors above what they would achieve through organic growth, according to a new report.

The study, which raises questions about the control of executives, says there is only a small connection between the performance of a company's share price and dividend – so-called shareholder return – and increases in top executive pay. There is no relation between directors' pay and company profit performance.

However it does suggest company takeovers as one of the main causes for the 77 per cent real increase in the pay of top executives between 1985 and 1990.

The research, published yesterday by the National Institute for Economic and Social Research, contrasts that 77 per cent increase with the 17 per cent real average earnings growth in the same period.

"The results indicated that lower cash holdings relative to current liabilities raises pay, as does expansion through takeovers," through its effect on sales growth, the report says.

"Growth by take-over which results in the firm being cash poor is a strategy for managers which raises pay considerably," the report states.

Increases in executive pay were "systematically higher" at companies that have expanded by take-over "rather than through internal growth". This is "despite other evidence which suggest that such behaviour does not enhance firm performance".

The NIESR report also found that "underperformance post acquisition is not punished in line with under-performance for other reasons".

Its says these findings "raises questions about the degree of effective control of top managers pay and over decision making concerning who controls and benefits from take-over decisions".

However when takeover activity and other effects were stripped out, annual pay rises of 13 to 15 per cent per year were still achieved by directors between 1985 and 1990.

"This would imply that either managerial skills were becoming increasingly valued by shareholders or that top executives were increasingly able to influence their own pay levels," the report states.

The survey, carried out by Mr Martin Conyon and Paul Gregg, examined a sample of about 170 companies between 1985 and 1990 in an attempt to explain the sharp increase in the pay of top directors.

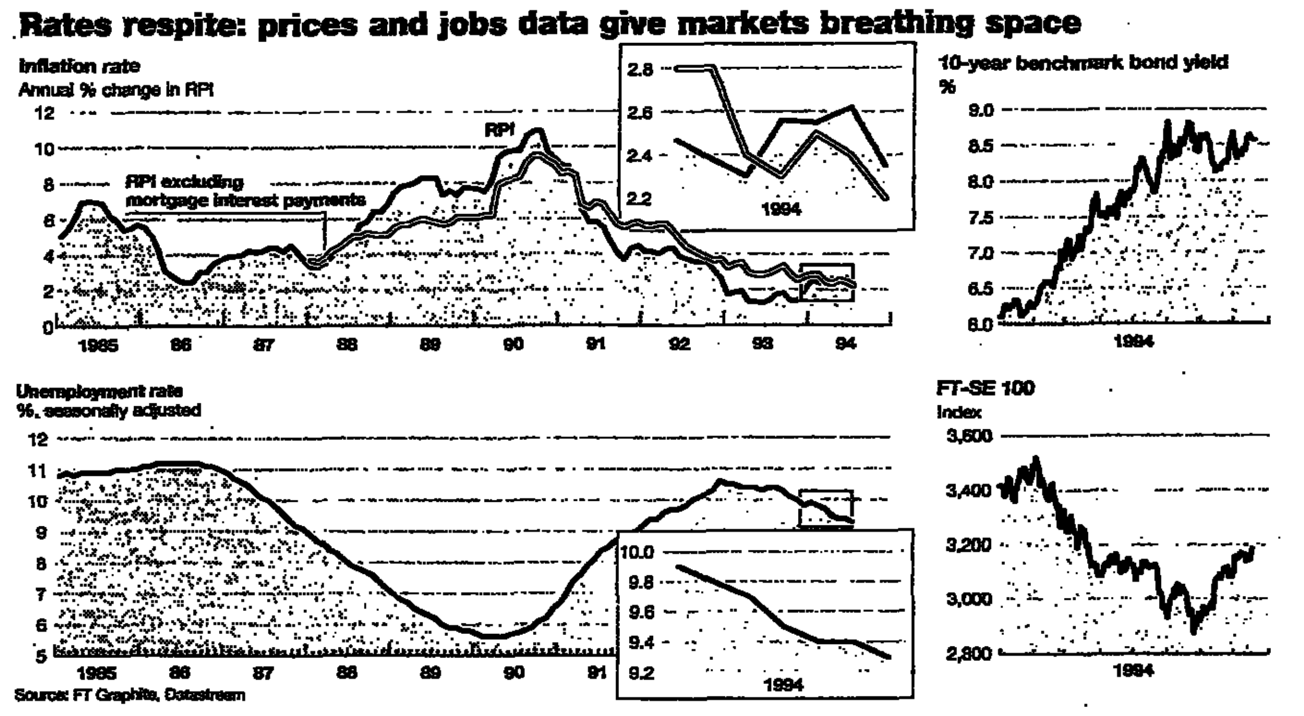
Reducing the presence of unions at a company also "results in higher pay for top executives" the report found. Comparison with the sales growth performance of other firms is also an important factor in determining pay.

● Economic growth this year and next will be stronger than the Treasury expects, but inflation will rise to the top of the government's target range of between 1 per cent and 4 per cent, the National Institute of Economic and Social Research added.

Overall retail prices index surprises City analysts by falling 0.5 per cent in July

Sales see record price falls for household goods

Rates respite: prices and jobs data give markets breathing space



Source: FT Graphite, Datastream

By Gillian Tett and Philip Coggan

Heavy discounting in the summer sales led to record price falls for household goods, clothing and footwear, Britain's Central Statistical Office yesterday said.

Overall, the retail prices index fell by 0.5 per cent in July, compared to June, suprising City analysts who had previously predicted a 0.2 per cent fall during the month.

On a yearly basis, underlying retail price inflation – which excludes mortgage interest payments – is now running at 2.2 per cent in July, compared to the previous July, down from 2.4 per cent in June.

A key reason for the overall fall was heavy high street discounting which affected most sectors of consumer goods and may have been particularly exaggerated in the statistics by the timing of the summer sales, the CSO said.

Although the sharpest annual price decreases in last year's summer sales occured in June, this year the sharpest decreases had occured in July, the CSO said. Thus although the price fall this July has been larger than the fall last July, adding June and July together showed that the scale of the price fall this year for those two months was the same as in June and July last year. Nevertheless, city analysts pointed out that the fact that the price falls were spread across a number of sectors suggested that inflation pressures remained very subdued.

Household goods fell by 1.7 per cent month on month, largely due to sharp reduction in most furniture, furnishing and electrical appliances. This was the largest monthly July reduction since statistically equivalent records begun in 1956, the CSO said. Compared to last July, the price of household goods was 0.2 per cent lower. Clothing also saw the steepest July fall since the series began in 1914. The clothing and footwear index fell by 4.2 per cent in July, compared to June.

Leisure goods saw the largest monthly fall since its series started in 1987. A key reason for this fall was monthly reductions in audio-visual equipment, tapes, discs, toys and sports goods, the CSO said. However price cuts by the Telegraph and Times newspapers accounted for about a quarter of the monthly price change in the leisure goods series.

In the motoring sector prices fell by 0.3 per cent in July, compared with June, largely due to the falling price of second hand cars, and a 1p reduction on a gallon of petrol.

The underlying rate of increase in UK average earnings was unchanged at 3¾ per cent in May, easing fears that rising wages would add to inflationary pressures.

Average earnings growth started to pick up in late 1993, with the underlying annual rate rising from 3 per cent in November to 4 per cent in March 1994. But the annual rate fell back to 3¾ per cent in April, where it has remained for three months.

The Department of Employment said the main settlements announced in June were for agricultural workers, who received a 4.9 per cent rise, building and civil engineering workers, 2.4 per cent and British Rail drivers, 2.5 per cent.

In the production and services sectors, the annual rates of underlying average earnings growth were unchanged in June, at 4¼ and 3¼ per cent respectively. In manufacturing, the annual rate fell slightly to 4¼ per cent, from a revised 4½ per cent in May.

Overall, the annual seasonally adjusted rate of earnings growth, which unlike the underlying rate does not exclude temporary factors such as the irregular timing of payments, fell to 3.6 per cent in June from 4.6 per cent in May.

World weather leads to turbulence for food prices

By Gillian Tett, Economics Staff

In a month when food accounted for almost a fifth of the overall fall in inflation, the movements of prices in the UK grocery basket is proving distinctly volatile.

On the one hand, the cost of non seasonal foods has been falling steadily in recent months, largely due to cost cutting in beef, pork, soft drinks and processed foods. Non seasonal foods were 0.7 per cent cheaper in July compared to the previous July – their largest annual decrease for over 30 years.

But on the other hand the price of seasonal foods has remained relatively high. Although seasonal foods fell by 2.5 per cent in June compared to July, this drop was lower than normal and prices are running some 9.2 per cent higher than last year.

The reason for these sharply divergent statistics lies partly in retail sector price competition – and partly in a recent spate of global weather disasters which have left some of the fresh fruit and vegetable market suffering.

The apple market, for example, has been badly hit by hailstorms in New Zealand, which has pushed up prices sharply, the CSO yesterday said. Chile used to provide an alternative source of apples, but European tariffs have encouraged Chilean apple producers to move towards US markets, leaving South African suppliers with a dominant position in the UK apple market.

Onions have been another victim of the weather. Droughts in Spain have reduced the UK's usual onion supply, with the result that the UK is now importing its onions – at an extra cost – from Australia.

The tomato market was also unusually tight last month. "Hot weather pushed demand for tomatoes up, but the main UK crop has not yet arrived, so prices have risen," Mr John McGinty, CSO statistician explained. Potato prices are now running 26 per cent higher than last year, partly because dry weather this year has persuaded farmers that there will be little crop surplus.

Nectarines, by contrast, have fallen in price, amid a European-wide nectarine glut. The main reason for this is a new European Union regulation restricting the Italian distilleries from using nectarines in spirits.

But although these factors have contributed to the volatility of the food price index, the key factor subduing overall food costs, particularly for non-seasonal food, remains continued price wars among UK retailers, the CSO yesterday said. In recent months there have been a series of discounts and promotions in key sectors, such as bread, biscuits and processed foods.

Bread and cereal prices, for example, were each 3 per cent lower last month than last July. Prices of all types of meat have fallen significantly, partly because of a recent rise in the slaughter rate, the CSO says.

Pork is 7 per cent cheaper than a year ago and bacon has dropped by 3 per cent. And although CSO statisticians admit that the price of beef has been "all over the place" in recent months due to the scares about "mad cow" disease, beef prices are still running 5 per cent below their levels last year.

In the short term, at least, economists believe that this intense price pressure is likely to keep overall food prices down in the coming months. But the weather could yet give the analysts more food for thought in some sectors.

The CSO is already predicting a rise in the price of baked beans next month – due to a recent spate of flash floods in America.

Archer placed orders for Anglia shares

By Robert Peston

Lord Archer personally placed the orders to buy shares in Anglia Television which were the focus of the recent Department of Trade and Industry investigation into alleged insider trading.

The £80,000 dealing profit did not, however, go to a stockbroking account in his name, which in part explains why the DTI decided at the end of last month not to launch any prosecutions after the completion of the inquiry.

Lord Archer told the DTI's inspectors that he did not profit from inside information and never received a penny of the proceeds from the share transactions.

The best-selling author and former Conservative Party deputy chairman said yesterday he had spoken to his lawyer who had advised him it would be "very foolish" to make any comment about the circumstances leading to the DTI inquiry.

However, officials and stockbrokers familiar with the case have disclosed that orders to buy the Anglia shares were made by Lord Archer shortly before January 18 when MAI made a £292m bid for Anglia. The dealings netted a profit of £80,000 after Anglia's share price soared 180p on the day of the bid.

The private client stockbroking firm which received the share buying orders, Charles Stanley, assumed that Lord Archer wanted the purchases to be made for his own account.

The firm, which has several senior Conservatives as clients, was subsequently told that the purchases were on behalf of an Arab man, whom the firm did not know and has not subsequently met.

After the MAI bid was launched, the stock exchange's insider trading group reviewed a series of share purchases of Anglia shares ahead of the takeover offer.

It contacted Charles Stanley, which disclosed that orders had been placed by Lord Archer.

Within three days, the Exchange had put together a dossier on the transactions, which it passed to the DTI.

Lord Archer faced allegations that he, or his acquaintance may have profited from inside information because his wife, Lady Archer, is a non-executive director of Anglia.

After an inquiry lasting five months, the DTI said at the end of July that it would take "no further action against any of the parties concerned". Investigators were convinced before leaks in the press that prosecutions were unlikely.

Mr Michael Heseltine, trade and industry secretary, made the decision not to launch any prosecutions after reviewing a report drawn up by inspectors and then receiving legal advice from independent lawyers.

Scottish tourist industry finds itself left on the Celtic fringe

James Buxton reports on efforts to give an historic kingdom a distinctive modern 'brand' image

As tourism destinations Scotland and Ireland have a lot in common. Both have picturesque sea lochs and mountains, a distinct history and rainy climates. But there is an important difference between them.

Scotland's tourist revenues have fallen in real terms in recent years, while the Republic of Ireland's have risen. Scotland earned £1bn more than Ireland in 1987 but the republic has now overtaken it. The number of tourist visits to the Irish republic has been growing by 6 per cent a year while those to Scotland have fallen by 1 per cent.

These were among the grim facts spelt out yesterday by Mr Derek Reid, the new chief executive of the Scottish Tourist Board. Mr Reid, a former managing director of Cadbury-Schweppes' food side who was instrumental in the management buy-out of Cadbury-Typhoo to create Premier Brands in 1986, said Scotland had suffered not just from the UK recession but from the effects of the Gulf war on its main overseas market, the US.

Spending by tourists in Scotland peaked at £2.5bn in 1987, he said. Last year's spending of £2.1bn was 17 per cent below that for 1989 in real terms.

Growth in overseas tourism in recent years had not been enough to offset the decline in domestic tourism, both from England and from Scotland.

But Mr Reid he did not spare past policies of the board. It was no good "trying to make water run uphill" by trying to persuade English people to spend their main holiday in Scotland when they wanted to spend it abroad. In future the board would focus efforts in England on selling short breaks.

The industry had failed to respond to the demand for out-of-season holidays. "We have talked about short breaks and seasonality in every strategic plan ever written – yet the graph of seasonality has scarcely altered," he said.

As a specialist in promoting brands he was evidently appalled that the board had had four different campaigns in the English market with differing consumer messages in the last five years. "This is not the way to create Scotland the brand," he chided.

"We can carry on as we are," Mr Reid said, "but this will inevitably lead to a continuation of the slow, gradual decline. Or we can embrace a strategy of going for growth."

The new strategy for the Scottish tourist industry involves clearer marketing. An advertising campaign aims to give the country more emotional appeal, avoiding references to haggis, tartan and bagpipes.

Greater cohesion of the tourism effort is being sought, following the reallocation of roles among public bodies involved in tourism. Mr Reid said, however, that there was still a plethora of Local Enterprise Companies – the economic development bodies – and area tourist boards (these are being reduced) and the industry had to ensure that "the left and right hands are working together".

Mr Reid's most obvious anxiety is about the shortage of public money for the industry. Scotland's official spending on marketing in 1993-94 was only £7m, compared with the Republic of Ireland's £17m and New Zealand's £25m in 1992-93. The board's marketing budget is frozen under public spending limits.

The Irish republic, Mr Reid pointed out, was also far outspending Scotland in capital investment – £37m out of public funds in 1991 compared with Scotland's £15m.

With the government resources currently available, a growth rate of 1 per cent a year was the maximum Scotland could achieve, with a 3 per cent rise in spending from overseas visitors and static spending by English and Scottish tourists.

But if the government were to allocate another £5m to the Scottish Tourist Board for spending on UK marketing and another £2m for overseas marketing, plus a substantial boost to training and capital spending, annual growth of 3 per cent was achievable, he said, although that would still be less than the Irish republic and below the OECD average.

Mr Reid sugared his plea for more government money by saying that the private sector might be able to contribute £1m for every £5m of state funding for marketing. Mr Reid was speaking at a conference in Stirling Castle held to launch a £1.5m television advertising campaign aimed at the English market, which he described as the industry's problem child.

The 40-second commercial, first screened this week in England and Northern Ireland, is intended to give Scotland a more contemporary image for the English.

The Scottish Tourist Board has unveiled a new logo based on the thistle.

The conference, attended by 200 leaders of organisations and companies involved in tourism, also heard details of a strategic plan prepared by the Scottish Tourism Co-Ordinating Group, which consists of public-sector agencies led by the Scottish Office. The strategy contains measures aimed at achieving 20 per cent growth in tourist spending by the year 2000 and increasing the employment in the industry from 170,000 in 1991 to 210,000 by then.

The organisation of Scotland's tourist industry is being revamped. The Scottish Tourist Board promotes tourism across the whole country, having taken over marketing of the Highlands from Highlands and Islands Enterprise.

However, it has handed over the task of assisting tourism businesses to the network of local enterprise companies controlled by Scottish Enterprise and Highlands and Islands Enterprise.

Britain in brief

Getty wins apology over Three Graces

Mr Timothy Clifford, director of the National Galleries of Scotland, apologised publicly for upsetting Mr John Paul Getty II after the American billionaire philanthropist threatened to withdraw his £1m pledge to help keep the "Three Graces" sculpture in the UK.

In a letter in yesterday's issue of The Times newspaper, Mr Getty said he was "astonished" at Mr Clifford's claim last week that the philanthropist's relationship with his late father may have been a factor in the offer to contribute to the fund to stop the statue being sold to the Getty Museum in California.

Mr Getty said the claim was "untrue and very embarrassing" to himself and the Getty Museum, and he threatened to withdraw the offer.

Mr Clifford yesterday apologised to Mr Getty "for any distress I caused him" and expressed the hope "that my mistake will not damage the cause of the appeal for Canova's sculpture . ."

The appeal, by the National Galleries of Scotland and the Victoria and Albert Museum in London, aims to raise £7.6m to match the offer from the Getty Museum. Mr Getty's offer of £1m had left the appeal £800,000 short.

162,000 jobs in private security

The private security industry in Britain now employs approximately as many personnel as all police forces in England, Wales and Scotland, a research study has shown.

The number employed by the industry has grown from 115,000 in 1985 to 162,000 today - a rise of some 45 per cent in seven years. The statistics have been produced by the Policy Studies Institute.

Lloyd's plan to help Names

Lloyd's of London is considering a scheme which would make it easier for all its individual Names to trade on a limited liability basis.

The scheme, details of which are outlined in the latest issue of World Insurance Report, a Financial Times newsletter, has been devised by Citibank, in collaboration with a group of members' agents, and Neville Russell, the chartered accountants.

It is part of a raft of measures designed to shore up the market's capital base in the wake of some £7bn of losses in recent years and would work by allowing Names, the individual's whose assets traditionally support the market, to form individually-owned insurance companies.

Names could transfer existing liabilities underwritten on an unlimited liability basis into the new vehicles and continue underwriting new business on a limited liability basis, possibly from the beginning of 1995.

Last year the market successfully attracted more than £800m in corporate capital, allowing new institutional investors and insurance companies and individuals to trade with limited liability.

BA bans live animal flights

British Airways is to stop carrying live animals for slaughter after protests from customers concerned about the livestock, the airline announced. The ban is to begin immediately.

P&O and Brittany Ferries have announced plans to stop carrying live animals to the Continent for slaughter. Stena Sealink plans to decide by the end of the month.

EU asked to probe tours

Independent tour operators and travel agents are to ask the European Commission to investigate the dominant position of large travel groups.

The decision to approach the Commission follows the announcement last week by the Office of Fair Trading that it had cleared the large travel groups of anti-competitive practices. The submission to the Commission will be made by the Association of Independent Tour Operators and the Alliance of Independent Travel Agents.

BSE rules come under scrutiny

Tenant farmers and landowners are seeking urgent clarification of new European rules on British beef exports, fearing they may affect far more herds than intended and damage the market in land.

The restrictions, imposed by European agriculture ministers last month to counter bovine spongiform encephalopathy (BSE), or "mad cow disease", say beef carcasses may only be exported if they come from farms free of the disease for six years.

Because they apply to holdings rather than herds, the rules are likely to hit more than the 52 per cent of dairy herds that have suffered from BSE, said Mr Marshall Taylor, chairman of the Tenant Farmers' Association.

He said the restrictions would "catch a far wider number of farms or herds than was the intention."

MANAGEMENT: MARKETING AND ADVERTISING

East Germans have lost their insatiable appetite for all things western, writes **Judy Dempsey**

A reversal of fortune

It seemed like a marketing dream come true in the early days of German unification. East German manufacturers and west German advertising agencies looked on in wonder as consumer-starved east Germans rushed out with their newly exchanged currency.

East Germans packed their apartments and kitchens with west German video recorders and washing machines, stereos and food mixers. They sampled western brands ranging from washing powder and toothpaste to cigarettes, water, beer, confectionery and soap. You name it, they bought it.

"East Germany's local producers did not know how to respond to this avalanche of west German consumer goods," says Sebastian Turner, manager of the Berlin-based Scholz & Friends advertising and marketing firm, a subsidiary of the New York-based Bates Worldwide.

"They had no idea what competition meant. The pace at which west German goods entered the untapped east German market actually helped to destroy some east German products."

But not completely. Four years after German unification, east German consumer habits are shifting – and east German products are returning to the department stores' shelves.

The first reason for this reversal in consumer spending is economic. The high rate of unemployment among east Germans – officially 16 per cent – and insecurity about future job prospects have encouraged east Germans to save. According to the Bundesbank, savings last year took 13 per cent of their disposable income compared with 14 per cent in west Germany.

As a result west German advertisers could no longer rely on the east German consumer's insatiable demand for west German products, and they had to respond accordingly.

Stephan Becker-Sonnenschein from the Munich-based Self Promotion Services, which markets Philip Morris cigarettes, explains the strategy his agency has adopted: "When Philip Morris bought up large sections of east Germany's cigarette producers, it decided to keep its prices for east German brands below west German prices. This partly explains why east Germans are again buying f6 cigarettes, an old east German brand owned by Philip Morris. f6 cigarettes now have 30 per cent of the entire east German market."

But it is not only the price of a product which has caused the shift back from west to east German products.

"The east Germans were made to believe that every western product tasted better while everything eastern was pretty awful. Yet over the past few years, they have been going back to some of their own brands. We would not dare substitute that black tobacco of f6 with an American tobacco. It would not sell," says BeckerSonnenschein.

Responding to a return to traditional east German tastes, Philip Morris maintained the old style of the f6 cigarette box as well as the tobacco.

"We revamped the packaging for environmental reasons and introduced some more ranges, such as lighter cigarettes. But the old familiar pack – and the smell of that black tobacco – remains the same."

As east Germans went back to their old products, west German advertising agencies had to reconsider their marketing strategies.

They may find a lesson in the success of Henkel, one of Germany's largest washing powder manufacturers. It entered the east German market soon after unification by buying Spee, a household name among east German washing powders.

Henkel could not rely on market research for the selection of its strategy because such processes had not been established in the former communist days.

Anke Paech, head of production at Henkel, says that the company decided to stress the "continuity" of Spee. Its first advertising slogan was "The good Spee – we are from here [east Germany]". It also kept the price competitive.

More important, Henkel emphasised that the east German-manufactured washing powder was the "first all-German washing powder", which was intended to show east Germans they could produce products appealing to the west.

Henkel has now captured 28 per cent of the east German washing powder market, further evidence, perhaps, of a growing east German patriotism and confidence in their own products, even if many are backed by west German enterprises.

Turner sees another trend evolving among east German consumers which is affecting the way west Germans market their products in the five eastern states.

"You can talk about the east Germans turning back to their own products. And this is true, but only up to a point. The reality is that 80 per cent of consumer goods in east Germany still consist of west German brands.

"However, if there is any long-term trend developing, it is this: the emergence of regionalism, the rebirth of the local product. That is exactly what had emerged in west Germany since the second world war. But in east Germany, because everything was state-owned and distributed through state channels, there was little scope for regionalism or regional products."

It is almost impossible to ignore the growing importance of regional products. The Saxons opt for Radeberger beer which is brewed in Dresden, the Thuringians indulge in their famous sausage, the Saxon-Anhalts consume Rotkäppchen, a sparkling wine which has made a remarkable recovery in the past two years, the Brandenburgers favour their own dairy products.

Supermarkets and food chains in east Germany and Berlin are responding to these trends. KaDeWe, Berlin's most fashionable department store and one of the first to tap the regional culinary strengths of east Germany, now stocks between 600 and 700 east German items out of the 3,000 products sold on its luxurious sixth-floor food hall.

"The Berliners want the local products," says Norbert Kronacke, head of KaDeWe's fruit and vegetable division.

"For the first time since the second world war west Berliners have an *Umland* [surrounding countryside]. The Berlin Wall cut them off from this. Since unification they have been able to buy locally produced food, game and fish. It is cheaper, does not have to be imported and the taste is fresher."

Turner believes that the east German market still offers potential for west Germans and outsiders. "The east Germans will buy a product if there is a rational reason to do so. This amounts to offering a good price and quality. The east Germans are price-conscious and sensible about how they spend their money."

Turner says anyone still wanting to enter the east German market should keep their message direct and avoid being arrogant. Above all "you have to know the local culture and traditions because regional products are playing an increasing role in the consumer habits of the east Germans. Just like in west Germany".

An old-style advertisement for east German cigarettes (left), and Philip Morris's new ad for f6 with distinctive pack and smell

Toyota's drive for the 20-somethings

Emiko Terazono reports on how the car company has tapped into a new market

Targeting Japan's 20-somethings has become part of the answer to the conundrum facing Toyota Motor, the country's leading car maker: how to revive its faltering sales and profits.

The company has tapped into Japan's *dankai nisei* – translated as the "second mass generation" – to sell Rav 4; its new recreational vehicle. Thanks to surging demand for the car, the company's domestic sales and production in June were higher than a year before for the first time for 13 months.

With their large disposable income, the 8m men and women in their late teens and 20s – the children of the baby boomers in their 40s – are fast becoming the core of Japan's consumer market.

Hideki Hashimoto, general manager of Toyota's advertising and marketing department, says unlike the widely held image of Japanese consumers, the 20-somethings are not necessarily brand conscious, although they have an eye for quality.

"The *dankai nisei* doesn't perceive a car as a status symbol like the older generation. They want something casual – not too posh and not too macho – which they can drive in the city or in the countryside," he says.

Following the recent boom in multi-purpose vehicles, Toyota developed the car in order to cater for increasing demands for a cheaper and smaller recreational vehicle. At Y1.7m (£11,100), Rav 4 costs around half as much as most recreational vehicles thanks to lower development and design costs achieved by using the same parts from other cars. For example, Rav 4 shares its engine and steering wheel designs with Celica, a sports car, and a common door mirror is used for both Rav 4 and Carina, a four-door sedan.

Another factor behind the car's cheaper price is lower profit margins at the dealer level. In an unprecedented move, Toyota's car dealers agreed to lower the retail margins for Rav 4 in order to increase sales.

Toyota says it started planning the promotional campaign a year ahead of the car's launch. After introducing it in two consecutive motor shows, the marketing team noted the crowds of young people it attracted. The team studied filmed interviews of auto show visitors, and decided to focus its promotional efforts on consumers in their 20s.

But while the company wanted to leave a strong impression with its campaign, it was also careful not to be too pushy, since younger consumers are more confident of their own tastes and dislike being told what is good.

"We wanted to communicate specifically to this generation, so we included an element of entertainment," says Hashimoto. Toyota spent more than 1.5 times the cost of an ordinary promotion campaign, sponsoring events such as basketball games and mountain bike races in shopping areas popular among teenagers and people in their early 20s.

Using comics has also been an effective promotional strategy. Toyota bought eight pages of Shonen Jump, a weekly comic magazine which offers a range of stories from sports to the more lurid type. Shonen Jump's circulation totals 6.3m, which comes in third after 10m for Yomiuri Shimbun and 8m for Asahi Shimbun, two leading mainstream news dailies.

"These days even universities and companies use comics for textbooks and manuals, and we wanted to use this trend effectively," says Hashimoto.

Toyota also placed ads in the television programme pages of leading newspapers, while tying up with a popular sports club in placing advertising features in magazines.

A leading attraction of Rav 4, apart from the price, is the 130 optional accessories which can be added to the vehicle. Customers can use computers in showrooms to look through CD-Rom catalogues and simulate creating their own personal vehicle – a feature which has appealed to the younger generation.

Thanks to the promotional efforts, orders for the car in June totalled 17,000 units, 8.5 times the original monthly target of 2,000. The production line is now operating at weekends to meet demand, while consumers wanting to buy Rav 4 need to wait until October due to the backlog of orders.

In spite of Rav 4's popularity, Toyota's marketing team is not relaxing its promotional efforts. It says only 20 per cent of the orders are from women. "Our next task is to try to attract female customers by using women's magazines," says Hashimoto.

TECHNOLOGY

Skids on Japan's motorway noise

Andrew Derrington on a new material which absorbs sound

A small company in northern England is hoping to develop an interest in the Japanese motorway system. Sound Absorption, based in Lancashire, has appointed Hitokuchi Zaka Studios as the Japanese distributor for its acoustic cladding material, Coustone, which it hopes will be used for motorway sound screens.

Coustone is made from flint particles bonded together with resins. It has excellent acoustic properties, as it both absorbs and insulates sound. But its physical robustness makes Coustone particularly suitable for highway sound barriers.

The key to Coustone's sound-absorbing properties is the existence of air-filled spaces between the flint particles. Spaces allow sound to enter the material instead of being reflected, and are a feature of sound absorbers.

In buildings where acoustic quality is very important, such as concert halls, resonant cavities may be incorporated into the structure. These absorb the sound, which can be monitored with a microphone and fed back through a loudspeaker, allowing electronic control of acoustic quality.

Simpler sound-absorbing materials are usually porous or fibrous substances. The sound-deadening effects of curtains and human bodies are a matter of everyday experience.

Mineral wool is widely used when sound absorption must be incorporated into a building's structure. Substances used in Japan include glass wool, ceramics, foamed concrete, aluminium fibre and sintered aluminium.

None of the alternative sound-absorbing materials is as strong as Coustone, according to Toshio Obayashi, of C.I. Kasei, a Tokyo engineering firm which has used the material on a number of building projects. Sales in the UK have also depended heavily on its non-acoustic properties, according to Mike Hadfield of Sound Absorption.

Coustone's acoustic properties are suitable for television or radio recording studios, but the fact that it can be scrubbed and even sterilised makes it popular as a sound-absorbing cladding for police interview rooms. Since the Police and Criminal Evidence Act, UK interview rooms have to be suitable for sound recording but have always posed difficult cleaning problems.

Sound transmission can be effectively blocked by any heavy material. Sound consists of a vibration, or pressure wave, travelling through the air. Anything heavier than air needs more energy to make it vibrate, and so can be used to make a barrier. Motorway sound screens in the UK are made of wood. Most of the sound that strikes a wooden fence is reflected.

The limitation of materials such as wood or concrete for noise barriers is that reflecting sound does not remove it. The sound merely returns to its source, from where it can be reflected again. Reflections are a nuisance in sound recording, because they reduce clarity, but they also increase sound volume.

Coustone's combination of cleanability, ruggedness and sound absorption have won favour in swimming pools, factories and indoor firing ranges in this country.

It was selected for use in police firing ranges because of its resistance to ricocheting bullets. But sound reflections are a severe problem in an indoor range: the direct report of each shot is literally only half the problem. The sound is reflected from the walls, the ceiling and the floor, as well as travelling directly.

Noise exposure regulations limit the number of shots heard by each instructor. Acoustic measurements show that in a firing range panelled with Coustone the reduction in sound reflection roughly doubles the number of shots that the instructor can hear.

Sound absorption is also considered important for motorway noise screens in Japan. Highways run through densely populated areas, so the noise-reducing effects of sound-absorbing barriers are more important. Noise screens up to 8m high have been constructed around motorways in Tokyo.

As computer systems become more accessible so they become more vulnerable, writes **Graham Clayton**

Risks of freedom

Heads of information technology departments are being offered a new weapon in their continuing battle against breaches of security. This is highly sophisticated software which gives precise control over which parts of an IT network users can access.

Two types of problem arise when individuals are free to roam around sprawling computer networks. First, there is the danger of unauthorised access to confidential information. Second, and even more worrying, is the possibility of havoc caused by a disgruntled employee – a growing breed in organisations which are "downsizing".

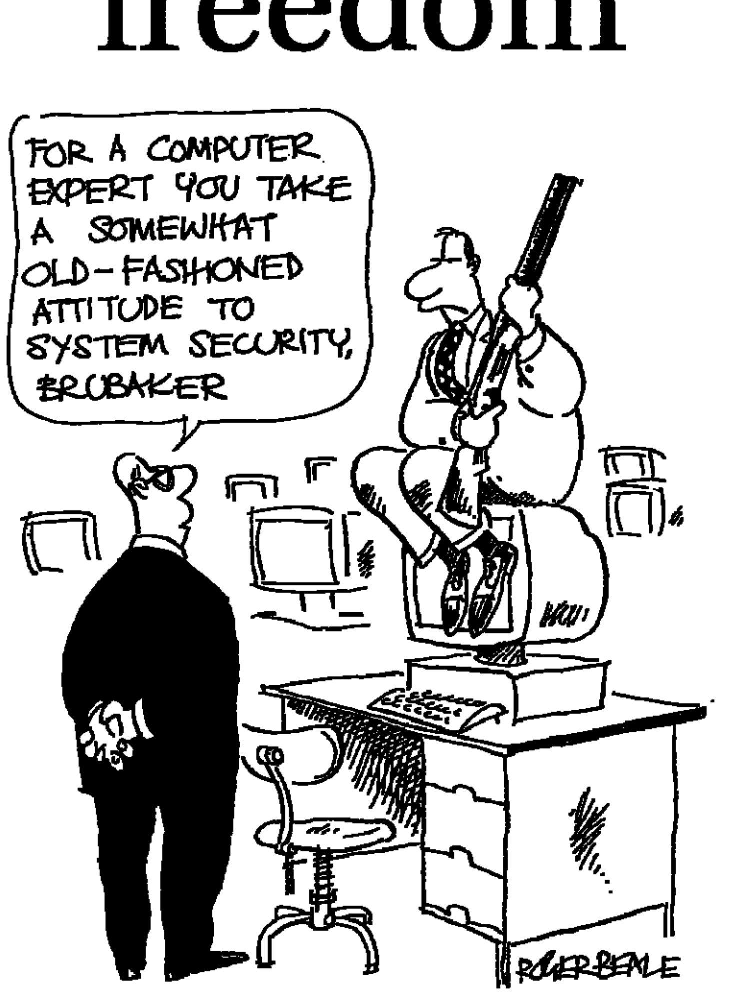
Yet as security is tightened throughout an organisation, the process starts to conflict with the underlying purpose of IT – to make information available to users as widely, easily and quickly as possible. This is the aim of rapidly expanding technologies such as Electronic Document Management (EDM) in which letters from clients are scanned and put into electronic files, together with replies written on a word processor or any other information in electronic form.

When M&G, the UK investment management company, began looking at EDM, quality of service to the customer came top of its list of priorities. "With EDM," explains Adrian Sharp, manager of management services at M&G, "any individual can take a call from a client and immediately have the right file in front of him or her."

The problem faced by developers of new security software such as Wang's Enhanced System Access Controls or ICL's AccessManager is to maintain that freedom while providing a high level of security. "The key," says Roger Ashbrook, general manager of ICL Secure Systems, "is to think about the function of each employee and the information he or she needs from the computer network."

Using this approach, AccessManager offers users single password access to all parts of an IT system for which they are authorised, no matter how complex the computer network may be. In addition, it can be set up to work with other authentication devices such as badge readers and cards.

In the battle to prevent security breaches, hardware and software developments represent only one element. A recent Department of Trade and Industry survey, carried out in conjunction with ICL and the National Computing Centre and covering 800 respondents from a wide cross-section of UK industries, showed what else was needed by IT departments as they struggled with problems ranging from fraud and sabotage to power failure and operator errors.



One obvious step towards improving security is proper contingency planning, but the survey suggests that of all breaches reported by respondents, only about half were covered by such a plan. However, where a plan did exist, almost all the respondents believed it had been at least moderately effective in minimising the problem and had helped them recover from it.

In this area, many financial organisations have no excuse for failure because the Bank of England and regulatory authorities insist that they must have contingency plans and sites and that these are regularly tested. "Before recent terrorist bombings," says Mike Nicholls, IT manager at the Bank of Ireland, "people didn't appreciate that access to a building may be impossible for a long time, preventing access to such things as vital data held in a fire-proof safe."

Another obvious step is to ensure that an individual is directly responsible for security. Here the survey presents a depressing picture, warning that the proportion of organisations with specialist security personnel may be as low as 15 per cent, although this rises to one-third in the financial sector.

These are figures which surprised and disturbed Nicholls. "Within the financial community," he says, "ignoring IT security is like having unprotected sex – sooner or later the consequences will catch up with you".

The survey is the second in two years and so gives some indication of trends. For example, a quarter of respondents reported thefts of equipment, a sharp increase on the 14 per cent two years ago. Over one-third suffered computer virus attacks, double the figure recorded in the previous survey.

The cost of a failure, including investigation and repairing the damage to data or equipment, works out on average at a little under £10,000. But when things do go wrong, particularly in the financial sector, they can go very wrong – as one insurance company discovered when a fraud cost it £1.2m, the most financially damaging breach reported in the survey.

An encouraging aspect is that after manufacturing, the largest number of respondents came from the financial and services sectors, where companies have often been reluctant to discuss IT security openly. There have been exceptions such as National Westminster Bank, which after experiencing multiple debiting on some card-holder accounts, acknowledged the problem, apologised to customers and arranged compensation.

This is in stark contrast to the hostility which has grown around the issue of phantom withdrawals from automatic teller machines. Initially the companies tried to put the blame on the customers. While this was correct in many cases, the eventual removal of the full account number from receipts showed that there was scope for improvement in the security of the system.

With a widely established network and more than 3m transactions a day, ATMs are a natural target. Having tried frontal assaults with mechanical diggers, criminals are adopting more ingenious approaches to breaching security; in one recent case, a "dummy" ATM was set up to collect customers' account numbers and personal identification numbers.

As ICL's Ashbrook points out, the use of computer systems is expanding rapidly, particularly in the financial sector. The use of teleworking is also growing, meaning that systems have to be more accessible and thus more vulnerable. He expects the consequences of these developments to show up in the next survey.

The IT Security Breaches Survey. From the National Computing Centre, Oxford House, Oxford Road, Manchester M1 7ED. £145. Tel 061-228 6333. Fax 061-237-1558.

Identity in the picture

If the UK goes ahead with plans to put photographs on driving licences, will computers be able to check identity from a picture? The answer is yes, but not very well. More reliable biometric identification systems – that can identify people from biological data – use handprints, eye pictures or fingerprints.

Computers can fail to recognise a face if lighting conditions or facial expression change. Automated identification systems also use extra information to improve reliability. Ben Miller, editor of Personal Identification News, says biometric systems work best when combined with identity cards and passwords.

Under these circumstances even an unreliable biometric identification system may have a beneficial effect. This is the context in which face identification systems are useful.

There are two kinds of error: false acceptances and false rejections. Identification is tested by comparing two sets of numbers which can be identity card numbers, PINs, or numbers derived from biometric data. False acceptances can only be reduced by requiring the numbers to be very similar, which increases false rejections.

Because the false rejection rate rises as the false acceptance rate falls, a useful benchmark is the "crossover", where the two error rates are equal. Automated recognition of hand shape gives a crossover of one in 500, says Miller.

There are no reliable estimates for the crossover for face recognition – even from manufacturers selling systems. Informed guesses suggest a level of about one in 20.

The importance of the two kinds of error are different. Miller says several UK banks are very interested in biometric recognition systems. They will allow a false acceptance rate of one in 20, but want to keep the false rejection rate below one in 100,000. Unfortunately, no biometric recognition system has yet met these requirements.

Andrew Derrington

PEOPLE

Finance director for Lloyds Abbey Life

Laurel Powers-Freeling is moving from Prudential to life assurance group Lloyds Abbey Life where, at the age of 37, she will become the first female group finance director in British insurance.

An American, Powers-Freeling had worked as director of corporate strategy and planning for the Pru, helping the board reach its decision not to expand into Europe.

She had then expressed the wish to try her hand at line management. Slightly less than a year ago, she set up a division concentrating on private financial planning services, an attempt to reach wealthier customers. But the experience left her feeling she was "better in the long run operating at the broader strategic level".

In March the Pru hired John Maxwell as corporate development director.

She has been promised a strong strategic slant to her new job, sorting out what she hints is at present something of a rag bag of businesses. As for the nitty gritty of the finance function, she points out that she does have a masters in finance from MIT, and that she has had to understand the accounting aspects of the industry in her previous incarnations.

Before joining the Pru three years ago, she had worked at investment bank Morgan Stanley International and management consultants McKinsey.

Lloyds Abbey Life has been looking for a finance director since last September when Christopher Wiscarson was moved across to another part of the group, becoming managing director of Black Horse Financial Services.

Buse: investing in CBI policy

"A man who takes training seriously" is how colleagues describe Rodney Buse, personnel director of the W.H. Smith group who has recently been appointed chairman of the Confederation of British Industry's Training Policy Panel.

Buse, 49, was among the active promoters of the Investors in People standard at the retail division of W.H. Smith. He joined the group in 1962. A certified accountant, he was chief accountant from 1979 to 1984 when he became managing director of the news division. He was appointed managing director of Do-It-All in May 1988 and became group personnel director in April 1991.

According to Roy Harrison, head of training at the CBI, "Training issues currently have a high profile, with employers looking for major pay-offs from their training investment, and the CBI is actively involved in many key initiatives in this area."

■ **Thierry Philipponnat,** formerly head of structured products at Exane, has been appointed director with responsibility for French equity derivatives and structured products at UBS Ltd.

■ **Glyn Tonge,** a director and management partner of PA Consulting, has been appointed a director of BARINGS.

■ **Colin Gillespie** has been appointed a director of BZW's corporate finance division.

■ **Richard Horlick** has been appointed md of FIDELITY Investment Trusts.

■ **Paul Newman,** former personnel director for group headquarters at BT, has been appointed director group human resources at ALLIANCE & LEICESTER BUILDING SOCIETY.

■ **Chris MGinty** is appointed a director of MURRAY JOHNSTONE Asset Management; he moves from the Kuwait Investment Office.

■ **Phil Stones** has been promoted to director, sales operations, for United Dominions Trust, part of TSB.

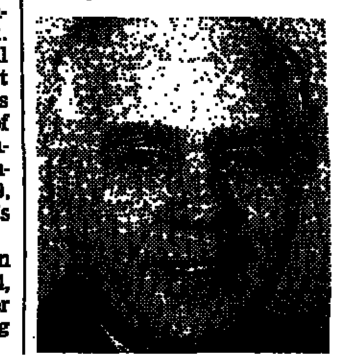
David Wilson, the Ernst & Young partner who has been acting finance director of Ladbroke since February, has formally joined the hotels, betting and do-it-yourself group. Wilson, 46, was brought in when Jerry O'Mahony, the vice chairman and finance director, fell ill. He died in June.

Wilson's departure from Ernst & Young does not mean he is Ladbroke's final choice as finance director. Ladbroke is still looking for someone to take on the job. When it does, Wilson (above) will move on to another, as yet unspecified, post in the group.

Ministers currently on holiday on the Continent might fret about the UK balance of payments deficit. They will probably not reflect on their part in creating it. Foreign holidays helped push the UK into a £3.1bn deficit on the tourism account last year.

Sir John Egan, chief executive of BAA, the airports group, wants to help return the tourism account to surplus. He has been named chairman of the Confederation of British Industry's Tourism Action Group. He is already chairman of the London Tourist Board and a member of the board of the British Tourist Authority. His interest is natural, he says. Most visitors to and from the UK pass through his airports.

His new role follows the CBI's decision to become more closely involved in tourism, one of the UK's biggest industries. The problem is not so much one of attracting foreigners to the UK; a record 20m are expected this year. The difficulty is persuading more Britons to take their holidays at home. Sir John (below) says much of the problem is that UK tourist facilities are often of low standard and represent poor value for money.



Jecks leaves KB to return to Lloyds

Keith Jecks, 37, who was responsible for marketing Kleinwort Benson's private banking business, is quitting following a reorganisation of group marketing strategy.

Jecks, managing director, London, of Kleinwort Benson Private Bank, will, in October, return to Lloyds Bank's fund management arm to the new post of chief operating officer of Lloyds Investment Managers which has £10bn under management.

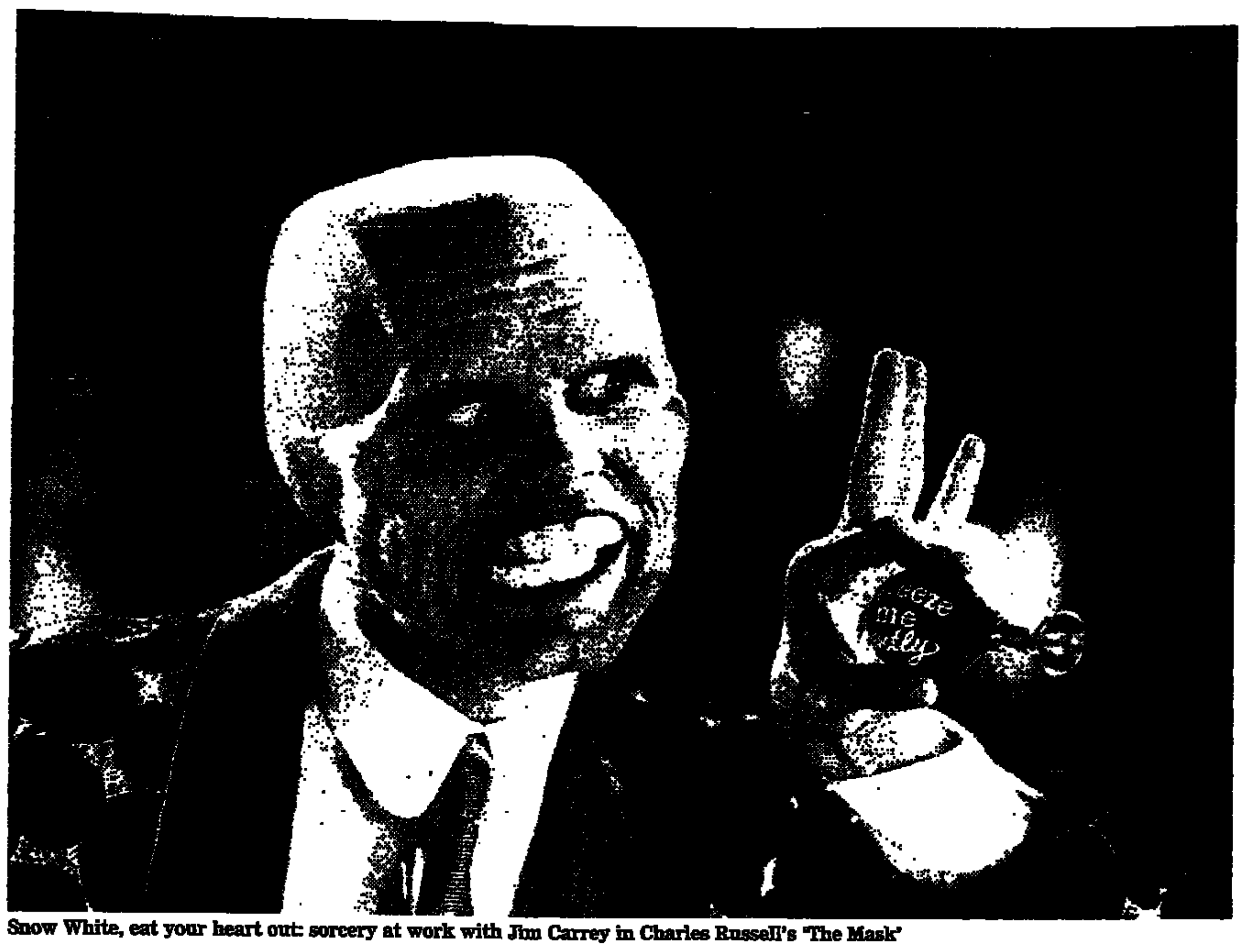
Jecks, an actuary, joined Lloyds in August 1986 to head the marketing of its investment management business. Three years later he moved to Kleinwort Benson Investment Management as business development director and was later posted to New York.

George Alford, head of Kleinwort's private banking division, says Jecks is not being replaced directly. However, Steven Taylor, 45, takes over responsibility for marketing the private banking division and Jecks' other sales force responsibilities will be shared among other executives.

Jecks' departure is one of a number of changes at Kleinwort Benson Private Bank. Nicholas Haynes, 43, general manager of Banque Kleinwort Benson SA in Geneva is returning to London as head of private client portfolio management. He will work in tandem with William Steel, 59, until he retires in a year's time.

Haynes has been replaced in Geneva by Michael Allen, 54, who has been responsible for KB's north American financing business.

ARTS



Snow White, eat your heart out: sorcery at work with Jim Carrey in Charles Russell's 'The Mask'

Cinema/**Nigel Andrews**

Mirthful mutations

In a startling raid on the American box office, a little-known man with a mask and array of vocal disguises has climbed to the top of the charts. Dislodging Arnold Schwarzenegger, Kevin Costner and Tom Hanks on the way, he has already made off with over $100m. The law – the law of movie probability, that is – stands helplessly by, seeking the breath to blow its police whistle.

This has happened before: if only once in recent times. Two years ago a cartoon genie with a similar fondness for high-speed "schtick" and smash-and-grab impersonations shinned to the top of the movie polls. But in that film, *Aladdin*, the protean lamp-creature was voiced by the crowdpulling Robin Williams. In this week's *The Mask* we have Canadian-born comic Jim Carrey, whom almost none of us heard of: or if we have, only as the man humbly dusting for pawprints in the now forgotten romp *Ace Ventura: Pet Detective*.

But the Chameleon Factor has worked again; 1990s audiences evidently go dotty for fast-track metamorphosis played for mirth. Carrey is humble bank employee Stanley Ipkiss, whose life is transformed when he stumbles on an ancient mask (never mind how) with the power to remould (never mind why), over and over and *ad lib*, its owner's appearance.

Abracadabra. From a human worker-ant in "Edge City, USA," a fantasy town with a remarkable resemblance to Los Angeles, the Mittyish Mr Ipkiss can now mutate at will. Mostly he turns into a dashing, yellow-suited, green-faced lounge lizard with elastic limbs and organs – his eyes pop, his jaw drops two feet, even his heart jumps out cartoon-like at the sight of a beautiful girl – and a tendency to whirl tornado-like in and out of scenes. He gets the girl (blonde and sumptuous Cameron Diaz). He gets the crooks. He certainly gets the audience.

The special effects are – no hyperbole – astonishing. They are by Industrial Light and Magic, the sorcery workshop founded by George "Star Wars" Lucas. If the art of optical magic goes on like this, *Roger Rabbit* will soon seem like a flicker book from the Dark Ages and *Snow White* like a cave painting animated by guttering firelight.

First cousin to Williams's genie, Jim Carrey gives as good vocally as he gets visually. Edward G. Robinson, Clark Gable, James Cagney and others pour from the larynx. (This is a 1940s-style crime plot with Carrey chasing a gang of Warners-style crooks, so do not expect up-to-date impersonations). And when our indestructible-when-masked hero performs a mock death scene before the hoodlums who think they have gunned him down, we get a full bouquet of "famous last words" perennials in about 30 seconds flat. Twangy-sentimental cowboy valediction; Tiny Tim cockney; even Rhett Butler choking out "Tell Scarlett I *do* give a damn."

Virtuosic. And directed likewise by Charles Russell, a fugitive from the *Nightmare On Elm Street* series. Our only quibble: a hundred minutes is a long time to sit there being strafed by one performer, even one kissed with talent, even one who slides in and out of the coat of many colours provided by the FX folks. A chittering demon inside the spectator says, "Yes, but what is it all *for*?" *The Mask* is not so much a movie, more a feature-length demo reel for the wonders of digital conjuring on screen. You end up enthused by the product but wondering, before you take out your cheque book, whether you should not wait a little longer while they improve the story-packaging.

THE MASK (PG)
Charles Russell

HIGHWAY PATROLMAN (15)
Alex Cox

PUBLIC ACCESS
Bryan J. Singer

★

We still have not quite answered the question. Why do today's audiences like this mach-2 metamorphic style so much? The other big hits of the summer in America have been *The Lion King*, the new *pièce de prestidigitation* from the Disney animators, and *Forrest Gump*, in which Tom Hanks roams through time being magicked by trick photography into encounters with the famous.

Have audiences become too quick, too screen-smart, to put up with the old narrative dawdle, let alone the old po-faced naturalism? If a film is slow – unless it is deep-down good – the clichés can be skewered and roasted by filmgoers who have sharpened their wits on video and computer games. If a film is un-self-aware, we have a generation who drank post-modernism with their mother's milk. They know that in the ludic 1990s you can now have your cake (disbelief-suspension) and eat it (munch on the make-believe tricks whenever they expose themselves).

So we wonder if there is room for movies like the week's other duo, *Highway Patrolman* and *Public Access*. British director Alex Cox's career is a hard luck story. He used to make sportive films that broke the frame of illusionism – the spoof Western *Straight To Hell*, the anachronism-stuffed historical epic *Walker* – but they failed at the box office. So he has gone to Mexico and back to the drawingboard.

Highway Patrolman (in Spanish with subtitles) is a straight-up genre movie: part action thriller, part moral melodrama. Will our rookie police hero (Robert Sosa) defy the corruption prevailing among his fellow cops and do the brave and decent things out there on the blistering tarmac? Like arresting drug dealers, shooting rabid dogs, and trying to find a joke in Lorenzo O'Brien's solemnly righteous screenplay.

Cox provides a strong mise-en-scène, full of long takes and startling landscapes. The climax at a crack-in-the-earth desert location is marvellous. But in today's mercurial movie world, *Highway Patrolman* seems almost dottily old-fashioned. As we watch the protagonist gain one martyring handicap after another while the story racks up its reversals, from a facial scar to a bullet-ridden limp, we feel we are back in the days of *On The Waterfront* or *The Defiant Ones*: when good men did what they gotta do and audiences sat there dumbly, drinking in the moral lessons.

Public Access is no better: indeed rather worse. Cox, we know, can make good movies (*Repo Man*). But debut American director Bryan J. Singer seems able to press only two letters on his creative keyboard. One is P for portentous, in this tale of a young stranger (Ron Marquette) taking over a small town's public-access TV network to spread malice, menace and finally murder. The other is S for stilted, as the film's shadowy-paranoid style – Marquette may be a right-wing provocateur – invokes the worst excesses of the sanctimonious 1960s/'70s (*The Parallax View*, *Winter Kills*.)

Here it all is again. The belief that if you are not a decent liberal, you are an indecent (and probably homicidal) redneck; that if you swathe a film in chiaroscuro and score it for laconic dialogue, you have – hey presto! – a film noir; that by explaining nothing about your mystery anti-hero, you will make him a great existential icon.

There are worse things than a film that takes itself seriously. But there are few worse things than a film that goes back to yesterday's fashions to do so and fails utterly to renew those fashions for today.

The Edinburgh Festival

Sensuous 'Antony and Cleopatra'

It is far harder to explain the virtues of the Berliner Ensemble's account of Shakespeare's *Antony and Cleopatra* at the King's Theatre than to explain its flaws. The virtues lie almost all in the acting, which is marvellously full of human truth and telling detail; and for me this carries the day here.

The flaws are obvious, so I will rattle through them briskly. The play is given in a modern German translation which seems to avoid either the metre or phrasing of poetry. It runs at three hours and 35 minutes (shorter than the advertised four hours!) without any interval. The director, Peter Zadek, has put it into 1920s costumes (designed by Norma Moriceau), with Antony donning Lawrence of Arabian headwear but, since there is no realistic scenery, the detail of what each individual is wearing or carrying against the vast sunbaked-yellow cyclorama of Wilfried Minks's set acquires a distinctly absurdist quality. And Minks has provided a wooden floor on which every movement makes such a clatter that the lines are sometimes inaudible. The modern and intimate tone which is sustained throughout deprives the play of any grandeur: when Cleopatra says "The man hath seen some majesty, and should know," we may doubt her words.

The small-scaled and low-key performance that the Berliner actors deliver within these considerable restrictions is one constantly alive with feeling and character. Each role is absolutely distinct: even Decretas, who takes the sword of the dying Antony and delivers it to Caesar, is vividly realised in his mixture of shrewd opportunism, embarrassed awe, and shuffling awareness that he is a a tiny cog amid the massive wheels of history.

The most complex and riveting characterisations are those of Gert Voss and Eva Mattes as Antony and Cleopatra. Mattes has great physical allure – like a broader, more voluptuous and sexually charged Vivien Leigh. And she is very much of the East: in one big scene of contrition to Antony, she approaches him on her knees, hands behind her back, in the full Asiatic demonstration of repentance. Though she lacks infinite variety – she can be authoritative but not majestic – she certainly has an endlessly mobile disposition. Voss shows Antony's rueful awareness of his own decline, his ready appetite for all the pleasures of the flesh, and the expansive jovial humanity that distinguishes him from other men even in his cups.

They make the title couple the most relaxed and humorous people in the play. Their interpretations are full of beautifully telling detail. In one scene, she cries and abases herself before him; he mimics her whimpering; whereupon she promptly rises and slaps him. Moments later, his spirits restored, he drinks and spouts a fountain of wine from his mouth into hers. After his last defeat, she comes in to try allaying his humiliation – subdued, and yet dignified in full regalia; he rejects her; she sticks her tongue out at him. As with Judi Dench's great account of Cleopatra, it is this plenitude of contrasts that makes Mattes captivating.

Other roles have similarly revealing strokes. When Caesar (Veit Schubert) receives the news of Antony's death, he wipes his bloody sword dry while choking back a sudden excess of emotion in his voice. His army is ordered, whereas Antony's is wonderfully raggle-taggle. Charmian and Iras are all irresponsibility: they practise a little Chaplinesque dance even in preparation for battle, but later, when Cleopatra is Caesar's captive, they perform a more seriously exotic dance, as if luring her away from politics and the West into the sensuality of the East.

At all times the production reminds us that the East is the realm of the senses and of self-gratification, the West the realm of self-control and precise thought. It is Antony's tragedy that he is caught between the two, but the play goes on to transcend any sense of tragic loss. Behind all the action, Minks's cyclorama – in the aching hot yellow with which Picasso once realised Spain onstage in *Le Tricorne* – glowingly speaks of heat, sand, sun, and of a sensuous condition before which all politics and dominion are petty.

Alastair Macaulay

Mad laughter in the face of death

Martin Hoyle reviews three one-man shows on the Fringe

Only Edinburgh at festival time could offer three one-man shows of such diversity in one day. The settings are Russia, England and New York, the performers British, Belgian and American. All three court mad laughter in the face of death.

The Traverse has revived *Moscow Stations*. Stephen Mulrine's adaptation of Venedikt Yerofeev's novel was a success last year and comes back with its protagonist, Tom Courtenay, in unstoppable form.

Since the shock ending casts a retrospective shadow over the preceding action, transforming it into a nightmare trip into eternity, I had forgotten how funny much of the play is. This year Mulrine's version seems more brilliantly apt than ever: it flows naturally, idiomatically, and convinces in its portrayal of a society classless enough for strangers on a train to discuss the bibulous propensities of Goethe and Schiller, the drink tragedy of Mother Russia, and how Mussorgsky was happier lying drunk in a ditch than completing *Khovanshchina*.

The travellers are portrayed as grotesques by the narrator, the author himself, though how much credence we should give to Courtenay's beady-eyed mockery is uncertain; for the plaintively carping Yerofeev is an alcoholic. His gift for self-deprecation is defensive, getting in quickly to pre-empt others. He also has a dash of that favourite Russian figure, the holy fool. "God is good. I too am good and blessed," he avers; and we even hear the angelic voices that tell him how long it is to opening time and suggest that he might try the station buffet until then.

Courtenay's great gift is the suggestion of vulnerable intelligence. Terminally weary, haggardly whimsical, Yerofeev is just the sort of literate social derelict to enrage the thugs who eventually kill him. Meanwhile he entertains us with the never-ending train journey to Petushki.

The London Underground might do worse than adopt the Russian railway inspector's penalty for those found without tickets: a gramme of vodka per kilometre travelled. Failing vodka, he settles for cliff-hanging stories. Thus Yerofeev has made his weekly trip for three years without paying, holding the inspector spellbound with the spicier aspects of world history – though arriving at Bush, Saddam Hussein and Thatcher, he decides there is nowhere else to go.

Distorted perspective, ominous music and sensitive lighting evoke that urban malaise and dream-like foreboding that are something of a speciality in Ian Brown's direction. Courtenay shows his mettle as a great actor, and his respect for "other people's dark corners, even if there's nothing in them but garbage" transforms that garbage into treasure.

In the studio space of Traverse 2, the late Derek Jarman goes rather more gently into that good night. The young Belgian actor Kris Cuppens performs, in only occasionally accented English, *Modern Nature*, an adaptation by Rudi Meutemans of the film-maker's diaries. The Brussels premiere was attended by Jarman himself late last year; he hoped to help the British production.

Opening with the diagnosis in 1986 that Jarman was HIV positive, the reminiscences move forward to the cottage and beloved garden in Dungeness and back to the peripatetic childhood. Boarding school, art college, early sexual adventures; no bitterness: "You won't hear me complaining. I'm happy." Kuppens' likeable performance is relaxed and natural, a mixture of the character's no-nonsense insight and unquenched idealism: "I've never believed in the gold at the end of the rainbow. I still believe in the rainbow, though."

Jarman would have enjoyed Nicky, the hero of *The Diary of a New York Queen*, inappropriately housed in the Church Hill Theatre with its austere church hall atmosphere. At first Harold Finley, small, hyper-active and black, seems a bit too much, too *everything* – eyes and teeth, screeching, mincing, flouncing. But gradually there emerges a tightly-controlled and highly stylised shape to Nicky's days and nights of work in theatrical costumes (for a musical called *Grind*, directed by Hal Prince, no less), clubbing, gossipping,insulting his long-suffering live-in boyfriend Harvey. Like those other great diarists Charles Pooter and Adrian Mole, Nicky reveals as much about himself as the world he chronicles.

A 'Figaro' tingling with life

One would have thought that enough versions of the Mozart operas had been recorded in the composer's bicentenary year, but apparently not. Charles Mackerras is recording another cycle in Scotland and the Edinburgh Festival has once more jumped in to profit from the sessions.

This year was the turn of *Le nozze di Figaro* in a concert performance at the Usher Hall on Monday. It is a long time since Mackerras presided as a guardian of Mozart style in London and just how zestful he is in this repertoire may be getting forgotten. His *Figaro* tingled with life in every bar. With luck the Scottish Chamber Orchestra has absorbed Mackerras's rhythmical and bracing way of playing Mozart as a permanent feature. If nothing else, they are unlikely to forget how fast it goes. After Runnicles's Mahler on the opening night, the festival has certainly made an up-tempo start.

Being Mackerras, he is not content to conduct the same version of the opera as everybody else. The research into ornamentation that he pioneered in the 1960s was further explored here, emphasising that the rhythm of the Italian language should be paramount in how the music is sung. Furthermore, he gave us some different arias from those we expect.

Not all his experiments worked. Carol Vaness's Countess, for one, would have made a better impression in "Dove sono" if she had been left to sing what we usually hear, rather than the highly-decorated showpiece unearthed by Mackerras. The alternative arias for Susanna – "Un moto di gioia" and "Al desio" – are also less original than the usual pair, but at least Nuccia Focile made a winning job of them.

It was the Italians in the cast who shone, because they fitted Mackerras's conception of *Figaro* as a quick-fire comedy. Focile's Susanna, second cousin to her Despina, was pert and quick-witted. Alessandro Corbelli, previously known as a buffo baritone, is not a natural for the Count, but he made a forceful figure, on the pompous side. Alfonso Antoniozzi was characterful as both Bartolo and Antonio.

Carol Vaness has scored successes in the past with Mozart's active soprano roles, but the passive nature of the Countess suited her less well. Simply having to sing beautifully is not what she is best at. Despite biting into the text, Alastair Miles is on the phlegmatic side for Figaro. Susanne Mentzer's Cherubino lacked adolescent fire in his belly. For "Voi che sapete" she had been given intricate 18th-century embellishments written by one Domenico Corri, a happy find. Corri lived in Edinburgh, so Mackerras had made a handy Scottish connection.

Richard Fairman

INTERNATIONAL
ARTS GUIDE

FESTIVALS

■ EDINBURGH

● This year's festival, which opened at the weekend, is one of the most ambitious of recent years, spurred by the opening of a major new venue, the Edinburgh Festival Theatre.

● The drama line-up is headed by Peter Stein and Robert Lepage. Stein presents a Russian cast in a seven-hour production of Aeschylus' Oresteia trilogy (Aug 25-28), while Lepage directs his new work The Seven Streams of the River Ota, the river which runs beneath Hiroshima (till Aug 21). Among the other theatrical works on offer are Goethe's Torquato Tasso in an English translation directed by Robert David MacDonald (till Sat); J.M. Synge's The Well of the Saints from Dublin's Abbey Theatre (Aug 24-28); two Shakespeare plays - the Berliner Ensemble's German-language production of Antony and Cleopatra (final performance tonight) and a French-language production from Orléans of The Winter's Tale (Aug 23-25); and the UK directorial debut of Luc Bondy in a quintessential international festival production, a wordless play by Peter Handke involving 30 actors playing 400 characters (Aug 31-Sep 3).

● The dance programme is headed by an Edinburgh favourite, the Mark Morris Dance Group (Aug 20-22), followed by Lucinda Childs Dance Company (Aug 23-25) and Merce Cunningham Dance Company (Aug 27-28).

● Beethoven is the main festival composer this year. Scottish Opera presents the opening production of Fidelio. All nine symphonies will be played by orchestras from Cleveland, Stavanger and Hamburg, plus the Orchestra of the Age of Enlightenment, as well as the five piano concertos and many of the string quartets. Among the musicians involved are Alfred Brendel, Andras Schiff, Richard Goode, the Borodin Quartet, Frans Brüggen, Christoph von Dohnanyi and Günter Wand. Chabrier is the other featured composer, with performances of three of his stage works. Roderick Brydon makes a welcome return, conducting the Australian Opera's production of Britten's A Midsummer Night's Dream (Aug 25-27). Charles Mackerras the closing performance of Elgar's The Dream of Gerontius on Sep 3.

● Official Festival: 031-225 5756. Military Tattoo: 031-225 1188. Fringe: 031-226 5257

■ HELSINKI

This year's theme is Great Britain. The festival opens on Sunday with a performance of Handel's Messiah conducted by Miguel Gomez-Martinez. Graeme Jenkins will conduct the Finnish Radio Symphony Orchestra in works by Elgar, Berkeley and Walton, and there will be a new ballet based on the images of the painter Francis Bacon. Guest ensembles include the Michael Nyman Band, the London Sinfonietta and the Los Angeles Philharmonic. The festival runs till September 11 (Lippupalvelu Ticket Agency: tel 664466 fax 628007)

■ SANTA FE

There is still time to catch the final week of performances at this year's festival. Il barbiere di Siviglia is conducted by Evelino Pido and staged by Francesca Zambello. Tosca is a John Copley production, with Mary Jane Johnson in the title role. Entführung is directed by Graham Vick. A revival of Göran Jarvefelt's 1984 production of Intermezzo completes the bill, with Sheri Greenawald and Dale Duesing as the Storchs. The final performance is Tosca on Aug 27 (505-986 5900)

■ LUCERNE

Under Matthias Bamert, Switzerland's premier music festival has taken on an adventurous slant. Focal points this year are a 70th birthday tribute to Swiss composer Klaus Huber (whose new piano concerto will be premiered on Monday by Andras Schiff) and a wide-ranging exploration of the way music is interpreted. Four different performances will be built around Schubert's Winterreise, including a new opera. There will also be a series of offbeat events breaking all the rules of traditional concert form. The conventional side to the festival is as strong as ever, with leading orchestras from Berlin, Vienna, Amsterdam, Cleveland and Dresden. Highlights of the coming week include a performance of Chausson's Poème de l'amour et de la mer by Felicity Lott on Sat, a recital by Anne Sophie Mutter on Tues, and Schubert's Winterreise sung by Peter Schreier next Thurs (041-235272)

■ MONTREUX

Montreux offers a sultry setting on the shores of Lake Geneva and a haphazard collection of orchestras and soloists from the summer festival circuit. This year's programme opens on August 21 with a Pollini recital and ends on September 23 with Martha Argerich playing Beethoven's Second Piano Concerto, accompanied by the Lyon Opera Orchestra. Other visitors include Anne Sophie Mutter (August 24), the Pittsburgh Symphony Orchestra (August 25), Riccardo Chailly and the Royal Concertgebouw Orchestra (August 31), Ton Koopman and the Amsterdam Baroque Ensemble (September 5) and the Orchestra of La Scala Milan with Carlo Maria Giulini (September 8) (021-963 5450)

■ PESARO

This exquisite walled town on the Adriatic was Rossini's birthplace. Each year it brings together genteel lovers of the Italian maestro's music, who come to explore some of his lesser-known operas, alongside bucket-and-spade beach-goers.There is a final performance tonight of L'Italiana in Algeri starring Jennifer Larmore and Kurt Streit. Cecilia Gasdia sings the title role in Semiramide, opening on Sat in a revival of Hugo de Ana's 1992 staging, conducted by Roger Norrington. The one-act dramma giocoso L'inganno felice, opening next Wed, is a new production conducted by Carlo Rizzi and staged by Graham Vick. The festival finishes on August 29 (0721-33184)

■ STRESA

Stresa's chief selling point is its situation on the shore of Lake Maggiore. The festival opens on Aug 27 with a Brahms and Mendelssohn programme played by the Freiburg Bach Orchestra and Chorus. Other guests include the violinist Uto Ughi (Sep 1), the pianist Jörg Demus (Sep 7), Martha Argerich (Sep 11) and soprano Katia Ricciarelli (Sep 13). The festival ends on Sep 18 with the Berlin Radio Symphony Orchestra conducted by Vladimir Ashkenazy (Settimane Musicali di Stresa, Palazzo dei Congressi, Via R. Bonghi 4, 28049 Stresa. Tel 0323-31095 Fax 0323-32561)

■ TANGLEWOOD

For more than 50 years, the Boston Symphony Orchestra's summer home has provided a relaxed setting for concerts in the heart of the Massachusetts countryside. In tomorrow's programme, Bernard Haitink conducts the third act of Götterdämmerung, with a cast headed by Jane Eaglen and Gary Lakes. Haitink also conducts a Sibelius and Brahms concert on Sun afternoon, with violin soloist Gidon Kremer. On Sat evening, James Conlon conducts Verdi and Musorgsky/Ravel. Next week: André Previn accompanies Barbara Bonney in songs by Schubert, Barber and Previn, and Christoph Eschenbach conducts Beethoven's Ninth Symphony. The festival ends on Sep 4 (Ticketmaster Boston 617-931 2000 Western Massachusetts 413-733 2500 New York City 212-307 7171 other areas 1-800 347 0808)

■ TURIN

Turin's annual music festival, Settembre Musica, opens on Sep 3 with a concert by the Vienna Philharmonic Orchestra conducted by Riccardo Muti, featuring symphonies by Mozart and Beethoven. Other highlights of the festival, which runs till Sep 22, include performances by Steve Reich and Musicians, the Dowland Consort, the Royal Concertgebouw Orchestra under Riccardo Chailly and the London Symphony Orchestra under Michael Tilson Thomas. There will also be concert performances of Gluck's Orfeo and Debussy's Pelléas et Mélisande (011-562 0450)

ARTS GUIDE

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Tuesday: Performing arts guide city by city.
Wednesday: Festivals guide.
Thursday: Festivals guide.
Friday: Exhibitions Guide.

European Cable and Satellite Business TV
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MONDAY
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FRIDAY
NBC/Super Channel: FT Reports 1230
Sky News: FT Reports 0230, 2030

SUNDAY
NBC/Super Channel: FT Reports 2230
Sky News: FT Reports 0430, 1730;

Systems check on planet earth

BOOK REVIEW

VITAL SIGNS 1994-95
By Worldwatch Institute
Earthscan Publications
£10.95, 164 pages

Any journalist covering the environment quickly discovers two things: it brings a huge mail bag, but most of the information it contains is unreliable. Figures on the health of the planet are now so manipulated by lobby groups that it has become virtually impossible to finger the truth with any certainty.

Worse still, it is now acceptable for governments to make environmental policy on the so-called "precautionary principle", which means assuming the worst. This approach is said to be prudent, but it is little more than a surrender to ignorance, which could be expensive and dangerous.

All of which makes any attempt to illuminate the subject in a calm and considered way most welcome. *Vital Signs*, compiled by the Washington-based Worldwatch Institute, is one of the few publications which can claim to fit that category. This is the third edition of what has the makings of an important book of reference, detailing in unemotional terms many key planetary indicators: the quality of the air, production of food, energy consumption, people's life expectancy, trends in plant and animal life, and so on. When put together, they paint a very interesting picture – though not one from which you could draw obvious conclusions.

There is a lot of bad news. The world grain harvest seems to be in long-term decline, the air is getting dirtier, forests are shrinking, bird species are down, and the number of pesticide-resistant insects is gaining (rather alarmingly: 520 insects and mites are now wholly immune).

But if you prefer the good news, car production has fallen during the recent recession while the number of bicycles has risen; meat output is keeping pace with demand; the growth rate of the world population seems to have peaked; cigarette consumption is down sharply and life expectancy up.

Your assessment of the meaning of all this rather depends on what you think is important. There is a whole category of indicators which can be read either way. What do you make of the fact that fertiliser use is falling? It peaked in the late 1980s, and is now back at levels last seen in the mid-1970s. This is obviously why grain output is falling too, though many people must welcome the trend back to natural farming methods. (The whole world could easily be fed, incidentally, if global grain yields were as high as the UK's.)

Another knotty one: the number of fish caught has levelled out, presumably because fish are not reproducing fast enough. But fish farming is soaring. Should we welcome a shift away from the ocean to artificial methods, whatever their drawbacks, if that is a way of taking the pressure off natural stocks?

Paper production is rising, and so, therefore, is logging. Yet more paper than ever is being recycled, so the outlook is not all bad.

In the energy sector, source of so much environmental aggravation, oil production is flat and coal is declining. The energy sources on the rise are natural gas, renewables like solar, wind and, more controversially, nuclear power, which is getting a big boost in the Far East. If the quality of the atmosphere is your concern, these are all encouraging trends. Yet many people would rather see coal replacing nuclear because they can understand its risks better.

What the book brings out especially well is the complexity of the world's natural systems – something that gets lost too easily in the heat of environmental debate. Even though the authors only catalogue 50 trends, that is quite enough to suggest the terrain within which rational discussion might take place.

Take just one issue: global warming. Atmospheric concentrations of carbon dioxide, the main greenhouse gas, are still rising. But annual emissions are falling slightly, which means that the rate of increase in concentrations is flattening out. The global average temperature was actually lower at the beginning of this year than in 1991.

These may be short-lived trends which could easily be reversed as the world economy pulls out of recession. On the other hand, the scope for cleaning up dirty industries in former communist countries is enormous, and the trend towards cleaner energy sources has already been noted.

The Worldwatch Institute's researchers go to some lengths to be objective, and their commentaries are, on the whole, admirably balanced. Nonetheless, you wonder why the book includes trends of little immediate relevance, such as the level of gold production, the incidence of Aids, world defence spending and UN peacekeeping activity, other than to imply that these are somehow bad for the environment.

The environment debate is going to make more headway if participants stop dragging in other campaigning issues simply to raise the emotional heat. It would be more helpful if future editions carried indicators on the health of the oceans, the availability of safe drinking water, trends in desertification, and numbers on reforestation to balance the bad news on felling. Also useful would be indications of the amount of land lost to quarrying which, in its way, is much more destructive and irreversible than forestry. In fact a shift from irreplaceable minerals to replaceable trees in construction and manufacturing would be a rather healthy development.

You could also criticise the book for being too sweeping: it scarcely matters that global population growth is easing if the trend is still remorselessly upwards in the poorest countries. But quite enough is already written about sectoral or regional problems. What *Vital Signs* can do is help create a global consciousness about environmental issues. Many of them know no boundaries, and require broader solutions than local agitators can secure.

David Lascelles

John Authers explains why UK employers will not cheer today's exam results as much as the students

Why an A-level is not the B-all

Eighteen-year-old school-leavers in England and Wales, who receive their A-level results this morning, will be able to congratulate themselves on achieving better grades than any previous year.

By contrast, many employers now regard England's uniquely specialised A-level system, and post-16 schooling in general, as having failed.

A broad coalition now favours radical reform of A-levels. It includes not only employers' organisations such as the Confederation of British Industry, but also teachers' professional organisations, leading independent schools, scientific bodies such as the Royal Society, and universities.

The Labour party is also campaigning for reform, calling last month for the abolition of A-levels. The opposition party, it seems, is now more in tune with some of the government's most natural supporters, increasing the pressure on new education secretary Mrs Gillian Shephard to deliver at least some reforms.

Mr John Patten, sacked as education secretary last month, was a fierce opponent of A-level reform, saying it would involve abandoning a well-established and respected educational "gold standard". As yet, there is no sign that the official line has changed: Mr Eric Forth, the new schools minister, has echoed Mr Patten's sentiments, describing A-levels as "a world-renowned trademark of Britain's educational excellence".

In international terms, however, the A-level system, where students normally sit exams in just three subjects, is an oddity. Candidates for the French baccalauréat typically take seven subjects. Similarly, the US high-school diploma requires students to study English, mathematics, a science and a foreign language – usually as part of a seven-subject curriculum.

UK employers are increasingly worried that the early specialisation required for A-levels – and their emphasis on academic, not vocational, ability – harms the country's competitiveness in two ways.

First, employers argue that A-levels deter sixth-formers from going on to study science or engineering at degree level. Such degrees require an understanding, to A-level standard, of the main principles of mathematics and usually at least two science subjects. Candidates who "mix" science A-levels with arts subjects may show intellectual breadth, but they do not have enough grounding in pure sciences to embark on a science degree.

Research by Professor Alan Smithers of Manchester University's school of education shows that the proportion of A-level candidates mixing arts and sciences is growing, suggesting pent-up demand for a broader sixth-form curriculum.

Prof Smithers's figures show 40 per cent fewer candidates taking maths and science subjects last year than there were in 1983. The Joint Mathematical Council, which represents academics and promotes maths as a subject, says this means a 40 per cent drop in the numbers qualified to study science or engineering at university.

Employers' second reason for disliking A-levels is that they believe the exams have inhibited the growth of vocational qualifications. Over the past two years, the government has sought to encourage 16-18-year-olds to take the new general national vocational qualification (GNVQ).

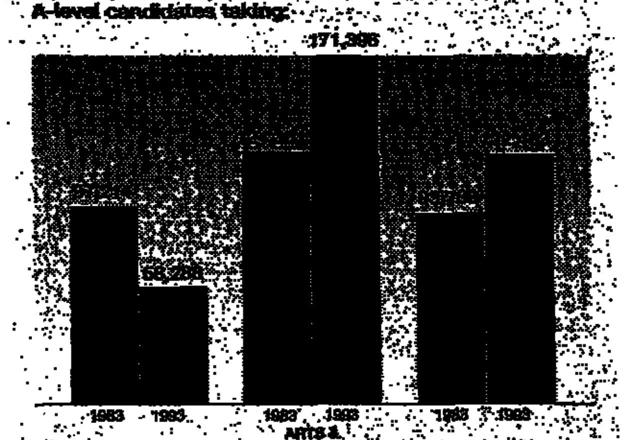
But Mr Roger Opie, education officer of the Industrial Society, an employers association which promotes good employment practice, says the A-level "gold standard" deters students and employers from taking the new qualification seriously. "Despite GNVQs, there are still schools persuading people to do A-levels who should not be doing them, and there's still a lot of parental pressure to do A-levels."

He points out that, even this year, 20 per cent of A-level students will fail. Students who fail to get the grades required by universities will have wasted two years. Their time, as far as employers are concerned, would have been far better spent in vocational education, Mr Opie says.

While it is easy to find fault with the current system, it is harder to find agreement on how to replace it. Proponents of reform fall into two broad camps.

The more radical proposes scrapping A-levels and replacing them with a system similar to a continental baccalauréat.

A-level students: time misspent?



Mrs Ann Taylor, Labour's education spokesman, wants to create a new General Certificate of Further Education (GCFE), which would remove the current division between academic and vocational qualifications by incorporating them within one framework.

Students would work towards their GCFE by accumulating academic or vocational "modules". Both would be treated equally when modules were graded. Some subjects – almost certainly English and mathematics – could be compulsory.

Similar proposals have been backed by academic science groups. Even some employers organisations have welcomed Labour's contribution to the debate. Mr Opie, of the Industrial Society, says: "There's a lot in the Labour party document which pleases us. While there are separate structures for academic and vocational courses, there's always going to be this feeling that students should do A-levels at all costs."

The second camp of reformers is more gradualist. It proposes keeping the main features of A-levels – their academic content and emphasis on exams – but reforming their content, so that it would be feasible for pupils to take five subjects as the norm. This was the main recommendation of the Higginson committee, set up to examine reform of sixth-form education by the then education secretary, Mr Kenneth Baker, in 1987.

Mr Baker rejected the report when it was published a year later, but the Higginson proposals are still the favourite option of the committee of vice-chancellors and principals, which represents UK universities, and by the main head teachers' organisations. Prof Smithers says A-levels could be made "leaner and fitter", without lowering their standards, by trimming about 20 per cent from syllabuses – for example, cutting the number of books required for English literature A-level.

He also believes that students could take more subjects if they spent more of their time at school in lessons, rather than in private study – at present most sixth-formers are unsupervised for roughly a third of each school week.

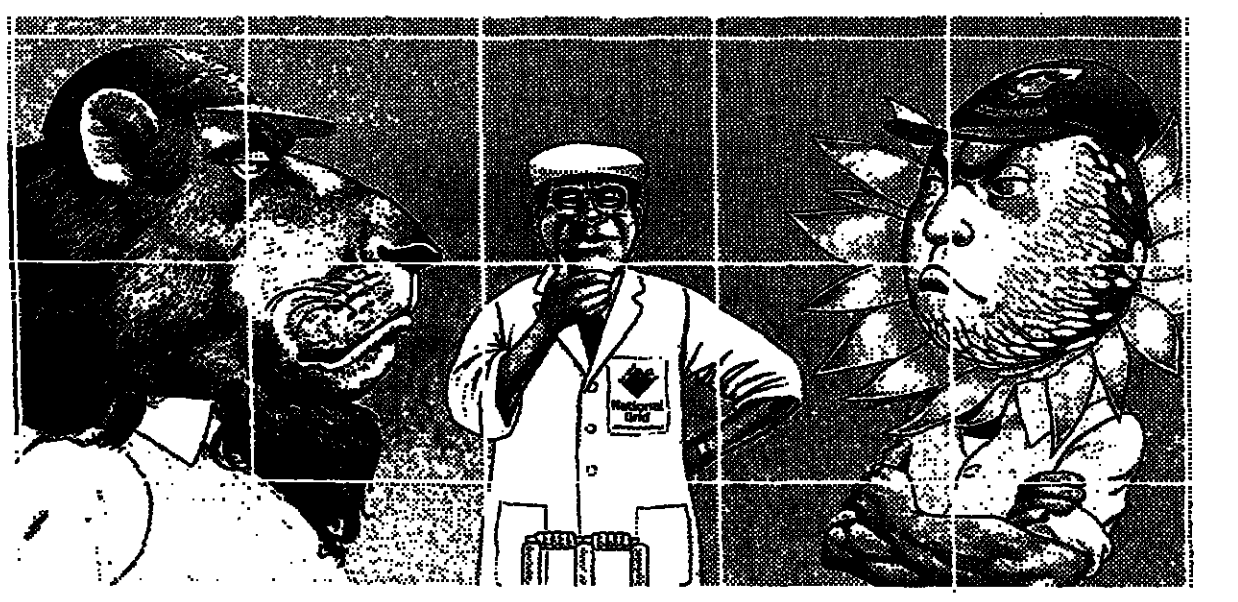
Prof Smithers suggests such reforms would preserve the best features of A-levels: "What makes them the gold standard is the examining process. They would still have questions set by teachers, reflecting what they think people need to know, and then be conducted by an independent examining board."

A slimmed-down A-level system would also allow students to mix academic and vocational qualifications. For example, students could take A-levels in maths and physics, plus English to ensure adequate communication skills, and also a GNVQ. Crucially, students could take a mixed curriculum while studying all the basic science needed to keep a science degree as an option.

Mrs Shephard has yet to indicate whether she might be prepared to contemplate streamlining A-levels in this way. On a party political level, such a move would help counter the progress Labour has made in winning the support of employers for its education policy.

At the same time, going down this route would be less risky than introducing a new French-style baccalauréat. Mrs Shephard already faces a considerable task in restoring morale in a teaching profession embittered by years of argument over the introduction of a national curriculum and testing for under 16s.

The snag for the government is that it would have to reverse its past opposition to the Higginson report. But by reforming the A-level system, rather than overseeing its abolition, ministers would be able to go some way towards addressing the concerns of employers – and argue that England and Wales had not left the education gold standard.



LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Gas spot market to meet operational needs

From Mr Colin Bryce.

Sir, With reference to your articles regarding the spot gas market ("Spot lights way to futures" and "Proposals drawn up for 'spot' market on gas prices", August 15), we would like to make a few points which we hope will help you fully understand our proposal.

The proposed market is an operational market, first and foremost. The need for the market arises from the requirement to create an on-the-day system balancing structure to ensure that British Gas's National Transmission System is operationally secure.

The EMMS proposed market or a similar one is necessary even if no short-term commercial transactions occur. The EMMS market bears little similarity to either the US spot market or the UK Electricity Pool, because the market's primary purpose is operationally to balance the system, not conduct commercial transactions, although we recognise that such transactions may occur.

Regardless of the type of market used to balance the system on the day, British Gas will undoubtedly ensure that safety standards remain at their current high level. The probability of customers being cut off or explosions occurring is no greater than at present, and their safety will not be compromised. British Gas has done an exceptional job to ensure customer safety and security and will, we presume, continue to do so, regardless of how the gas industry evolves.

The proposal attributed to Morgan Stanley was in fact co-written by Eastern Natural Gas (the gas business of Eastern Electricity), Manweb Gas and Morgan Stanley (the "EMMS" group). All three companies contributed equally to the structure and mechanics of the proposed market.

Your correspondent correctly stated that Morgan Stanley was involved in the creation of the Natural Gas Clearinghouse, but we sold all interest in the Natural Gas Clearinghouse in 1988.

Morgan Stanley is neither proposing nor advocating that Natural Gas Clearinghouse or the IPE operates any structure relating to an operational balancing or "spot" market. Such a decision, if taken, would be made by the gas industry as a whole.

Colin Bryce,
Morgan Stanley & Co International,
London E14 4QA

Job support scheme for disabled is a concession, not a subsidy

From Mr Harpal Kumar.

Sir, Your report ("Whitehall error over disabled workers", August 17) incorrectly links the Priority Suppliers Scheme, which Mr Portillo has just scrapped, with "subsidised schemes for the disabled".

The Priority Suppliers Scheme allows companies employing mainly disabled workers a chance to make a second bid for government contracts to match the winning tender.

As such, it is not a subsidy but a concession.

Government contracts secured through the scheme are always at the lowest price. Therefore, the government will achieve neither savings nor lower tenders as a result of scrapping the scheme.

However, the jobs of hundreds of disabled people, such as the 200 people employed in our supported workshops at Papworth, will in fact be put at risk because, as you report, Whitehall officials made a mistake.

Mr Portillo and his officials should now move quickly to mitigate the worst effects of the new directive, something they admit should have been done in the first place.

Harpal Kumar,
chief executive,
The Papworth Trust,
Papworth Everard,
Cambs,
CB3 8RG

Right Mitford, but wrong satire

From Mr Martin Durkin.

Sir, Simon Davies made a deadly error in his article on the UK funeral industry yesterday ("Loved ones to exit the American Way", August 17).

The American Way of Death was written by Jessica Mitford, not Nancy Mitford, and was not a satire.

He is probably thinking of *The Loved One* by Evelyn Waugh (not Auberon Waugh) which was dedicated to Nancy Mitford (and not Jessica Mitford).

Martin Durkin,
95 Balls Pond Road,
Islington,
London N1

Correction

The OMLX exchange was founded in London in 1989, not as was incorrectly stated owing to an editing error in yesterday's letter from Mr Lynton Jones.

Uzbekistan in pursuit of market reforms

From Mr Rustram Azimov.

Sir, I refer to Steve Levine's article "Uzbekistan courts 'His Majesty the som' " (July 2).

The west may wonder by what right the "newly emerged" states can doubt the prescriptions offered by developed countries, but this is to ignore the fact that Uzbekistan is pursuing a transformation by means of its own strategy of market reforms.

A favourable legal framework for market development has been created in Uzbekistan. More than 50,000 enterprises have been privatised and the proportion of national output produced by non-state enterprises is now a third. Three years ago the state sector accounted for 100 per cent. The practice of privileged loans to the state sector of the economy has been stopped and a hard monetary policy adopted.

More than 1,000 joint ventures have been established. On May 5 1994 a law was adopted offering foreign investors very favourable conditions, including foreign investment risk insurance, and guarantees on the transfer of profits and other funds in hard currency outside the republic without limitations.

The availability of credit facilities from the US, Germany, Japan, the UK, France, Switzerland, Turkey and China indicates the degree of trust in our policies. Many large companies invest in Uzbekistan. We expect stable growth of investments in the coming years. One more fact supporting this predicted trend is the convertibility of the som that started on August 1.

In the earlier article "Flank left to fester" (February 16), Levine referred to the lack of democratic rights and freedom in the central Asian countries. I would suggest that "musical comedy" opposition is not the best proof of the presence of democracy. True democracy is being built over many decades on the basis of the development of a market economy. After three years of sovereignty, Uzbekistan has maintained its financial potential and is gradually paving the way for a market economy.

The National Bank of Uzbekistan has established correspondent relations with 120 of the world's largest banks, it has become a member of the Swift, Reuters and Visa and is involved in the development of foreign investments worth more than US$1bn. This allowed it to enter the top 1,000 banks of the world, according to The Banker ranking (July 1994), where countries of the former Soviet Union are presented only with Russian and Uzbek banks.

Government policy has the backing of the people of Uzbekistan, who have seen that President Islam Karimov has been implementing policies to stabilise the economy and strengthen the country's independence and have shown their support with votes on the only true competitive presidential elections in Central Asia.

Rustram Azimov,
chairman of the board of directors,
National Bank for Foreign Economic Activity, Uzbekistan,
The Republic of Uzbekistan

FINANCIAL TIMES
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Thursday August 18 1994

Controlling population

Two stories are told in the annual report from the United Nations population fund, published yesterday. The first is one of success: in *the past 40 years the rate* of growth of the world's population has slowed sharply. The second – about prospects for the future – is less cheerful. Nevertheless, the evidence shows neither that population growth is the overwhelming problem it is so often alleged to be, nor that policy is helpless to lower it, even in poor countries. What is required is no more – but also no less – than to help people, particularly women, achieve the families they themselves desire.

The most encouraging feature of past experience is that, contrary to the once cherished theories of demographers, declines in the rate of population growth have occurred even in countries that have seen little economic growth. Education of women has helped. But much of the fall can be attributed to better distribution of contraception, argues the UN. One of the clearest messages of the report is that people will willingly use contraception, if it is made available.

The UN's story about the prospects for coming decades is somewhat more disturbing. The number of people on the planet is likely almost to double, from the present 5.7bn to some 10bn, by the middle of next century. This assumes that birth rates continue to fall; other assumptions suggest figures between 8bn and 12.5bn.

Food supplies

Yet such increases need be no disaster. The UN report rightly rebuts fears of a global food shortage, of the kind voiced by the Club of Rome two decades ago. But uneven distribution of the world's food supplies leaves people in many regions facing starvation. More even than food, water may become a cause of conflict. It also warns that pressure on other natural resources – forests, seas and the atmosphere – will increase.

Yet it is important to recognise that population growth is not the sole cause of pressure on resources. Nor would even a stable global population halt it. *Economic growth is still more important.* That is why the 15 per cent of the world's population in rich countries consumes so disproportionate a share of global resources. It is also why calls from this minority for limits on the numbers of the poor majority look morally disreputable.

Neither prophecies of doom nor hypocritical bombast are justified. What is needed, instead, is for developing countries themselves to recognise that unchecked population growth imposes, at best, a heavy burden of additional investment upon them. At worst, it threatens their social stability, as people flood from the countryside to the cities, in search of jobs.

Family planning

These pressing social and economic issues underline the importance of next month's conference in Cairo, the first UN meeting on population for a decade. The UN's draft agenda calls for co-ordination of measures to stabilise the world's population, including a trebling of spending on family planning programmes, and better education for women.

This is the right policy agenda, because it emphasises helping people help themselves. This is not just the most ethical, but also the most practical way to address the issue, since what people want for themselves is also what their societies need.

Despite the convergence of support for such measures among governments, the agenda faces opposition. This month the Vatican, which has called on governments to boycott the conference, accused the UN of promoting abortion. That charge is ill-founded, given that the United Nations Population Fund (UNFPA) is barred from portraying abortion as a way to control family size.

It would be both inhumane and imprudent for governments to reject the UN's draft agenda. That is not to make light of the social and cultural implications of the policies recommended by the UNFPA. But it is surely right for women to be given control over the number of children they bear.

Western countries should assist countries that wish to make contraception available, though not those that resort to coercion. They should also remind recalcitrant *governments that the alternative* to contraception is both lower growth in incomes per head and serious social disruption.

Top pay going overboard

The public reaction to this week's £2.02m pay-off for Reed Elsevier's former co-chairman is symptomatic of a growing disquiet at the way UK executives are paid. Cautious efforts to reform the system have thus far focused on avoiding its most obvious excesses. But shareholders and executives should realise that there is more at stake. The steady pace of the current recovery owes much to the restrained growth in average wages. Bucking that trend in the boardroom may threaten that achievement.

The three-year rolling contracts offered Reed Elsevier's directors have been the subject of a welcome campaign by PosTel Investment Management, one of the *UK's largest pension funds.* So far, as Wednesday's FT survey on the subject showed, the fund's efforts are having limited success. PosTel itself has only tried to outlaw rolling contracts of longer than two years, though it is difficult to find a justification for ones lasting longer than a year. Even these would merely *lower the cost of* rewarding failure, not eliminate the practice altogether.

Building a system of executive compensation that better matches risk with reward means analysing the way incumbent executives are paid, not merely those who depart with "golden parachutes". Headline-grabbing pay rises for top executives continue to incite public mistrust of that process, much of it deserved.

Focusing on million-pound packages may give a distorted picture of the "going rate" for upper and middle management, but overall behaviour is not much more restrained. Sedgwick Noble Lowndes, the pay and benefits consultants, last month reported that executive pay was rising 50 per cent faster than the 3.75 per cent growth in average earnings announced yesterday for the year to June.

Sound judgment

It is up to shareholders, and executives themselves, to decide whether their salaries are excessive, not the government. But UK shareholders are currently ill-equipped to make a sound judgment, while executives appear to see few advantages in restraint. One approach to making their interests more compatible, performance-related pay, is increasingly popular: 44 per cent of top executives are now covered by such a scheme. But experience of these *schemes in the UK and the US has* been mixed. Understanding the terms of such schemes is often as tricky as judging their effectiveness.

Indeed, research by Mr Martin Conyon and Mr Paul Gregg, published yesterday in the Economic Review of the National Institute of Economic and *Social Research*, indicates that even where the concerns of shareholders have an effect, it is not always a desirable one. They find that, in the latter half of the 1980s, many top UK executives were able to win themselves higher salaries by engaging in takeover and other sales-boosting strategies, even though this did not add to shareholder returns, and often made the company particularly vulnerable in the subsequent recession.

Greater disclosure

There *is no single* route to improving this process, but any attempt will rely on greater disclosure of its inner workings. The 1993 Cadbury report on corporate governance should have gone further in its recommendations on disclosure, but that should not stop shareholders themselves from demanding greater transparency. In the US, the Securities and Exchange Commission has forced companies to reveal much more than is now required in the UK.

It is a human trait to believe that one is paid at least as much as one deserves, but this must be balanced against the broader consequences. Executives need to remember that a competitive market system depends, for its legitimacy, on the visible reward only of visible success. The current system ensures neither.

The challenge is not principally to the executives, but to the shareholders who own these companies. Unfortunately, greater transparency is likely to have only a limited effect on their ability to control executive pay. Even if shareholders are given information, the fragmented structure of share ownership means that few have a significant stake in acting on it aggressively. It is up to those big institutions that own large shares in individual companies to give a far stronger lead.

Breaking the chains of freedom

Racial reconciliation is the most important legacy of Nelson Mandela's first 100 days in power, writes **Patti Waldmeir**

It is a rare honeymoon that lasts 100 days, in politics or in life. The new South Africa has had its period of wonder and bliss; now South Africans are getting down to the really rather difficult business of life after apartheid.

Later today, President Nelson Mandela will mark his 100th day in office with a speech to parliament outlining the achievements of his new government, and charting a path to future prosperity.

The review of past achievements will, *inevitably, be short; for the* past 100 days have been far more notable for disasters averted, than for positive change. Scarcely three months after all-race elections hailed as a miracle worldwide, the euphoria which followed the poll has faded; but the new-found spirit of national unity, fostered almost singlehandedly by President Mandela, remains strong.

It is almost impossible to find anyone, white or black, with a bad word to say about Nelson Mandela. Right-wing leaders – even the hardline Conservative party leader Ferdi Hartzenberg, whose party boycotted the poll – vie to have their photos taken shaking the hand of the new president. Inkatha Freedom party head Chief Mangosuthu Buthelezi is fulsome in his praise. And in spite of rumblings from a disaffected back-bench, South Africa's former rulers, the National party, remain eager junior members of the Mandela government.

None of this seemed inevitable, or even likely, before the poll; and even the most conservative commentator has been quick to give credit to Mandela himself. Racial reconciliation is the most important legacy of his first 100 days; without it, there could be no progress in the hundreds more yet to come.

But the first 100 days have also demonstrated that political stability is not enough. Democracy must also be made to pay: to provide housing, education, healthcare and jobs for the poor; foster the advancement of blacks in business as managers and as owners, and in the civil service; remove apartheid inequalities.

Informal opinion polls – in the townships, on television and radio, and in offices of leading cities – show that most blacks believe their material lot has not improved since the elections. They also show that few blacks are surprised by this – and that most are willing to give Mandela time to deliver. Ordinary people are eager to excuse his lack of action: many explain, with pride, that their president is busy sorting out the problems of Rwanda; that he is shouldering the burden of the whole of Africa; that they trust him to deliver in the end.

But political activists are not so patient, and will find it easier and easier to exploit township impatience. Simon Zondi, an African National Congress activist in KwaZulu Natal, says: "People expected that as soon as the ANC takes over, they will see a change. But up to now that's not what's happened. To people's minds, the old (F W) de Klerk government is still in power."

Township activists such as Zondi, experienced at mobilising resistance around popular concerns such as lack of housing, are likely to give President Mandela a rough ride in the months and years to come.

They will not act alone: Cyril Ramaphosa, ANC secretary general, has made clear that he sees himself as the conscience of the ANC. His future political career depends on mobilising disaffected ANC members behind him in his role as unofficial government watchdog; he has already launched his campaign with an attack on high parliamentary and government salaries. Mandela will have to deliver significant advancements in socio-economic development – and market them well – if he is to withstand this grassroots challenge.

So far, change has been slow. In *his state of the nation address soon* after becoming president in May, Mandela promised that his first 100 days would bring free healthcare to every pregnant woman and child under six, and supplementary feeding schemes at every primary school. The launch of the latter has been delayed until September 1, and the former, though implemented, has caused considerable chaos in hospitals. And what is worse, it is understood that even these limited programmes are over budget, and that the president's office has been seeking donor funding to ensure they are maintained.

This is an ominous sign for the future of the Reconstruction and Development Programme, the ambitious development plan which President Mandela is expected to detail in his speech to parliament today. For the president spent much of his first 100 days trying to persuade overseas and local investors that the RDP's goals could be achieved without increasing overall government spending; some R2.5bn is to be spent on the RDP in the current financial year, but all of it is to come from savings in other government departments.

Unfortunately for Mandela, the markets showed little sign of believing his assurances on the subject of fiscal discipline (the news that Derek Keys, finance minister, is to resign from October, though for personal reasons, did not help). If there are now signs that RDP expenditure is straining the budget – coupled with fears of a revenue shortfall provoked by recently released gross domestic product growth figures showing that the 3 per cent economic expansion projected for this year may be difficult to achieve – then the new government's fiscal credibility could suffer further.

But for the moment, President Mandela appears to feel he has spent enough time defending his credibility with potential investors, local businessmen, and whites in general. His speech is expected to reach out to his mass black constituency, to reassure them that the anti-apartheid struggle is about to begin paying off.

But he will have to do more than simply announce a string of development targets, however laudable. He must take steps to overcome signs of paralysis in government: for the ongoing tussle between central government and provinces over the devolution of constitutional powers is severely hampering delivery under the RDP; a damaging row between national housing minister Joe Slovo and Tokyo Sexwale, provincial premier of the Pretoria-Witwatersrand-Vereeniging metropolis, over housing construction has not helped the government's public *image; and the relative powerlessness* of provincial government is also impeding progress towards the racial integration of local government, which will also bring many development benefits.

Even more importantly, *Mandela* must demonstrate that he is ready to do more than simply exhort the economy to grow (as he did last week when he insisted he was not happy with a projected 2.5 per cent growth rate and preferred 5 per cent).

He must reduce the cost of government itself, which as Mr Keys pointed out in a recent speech, consumes 21 per cent of national income, far above the 9 per cent spent on government in Japan and 10 per cent in South Korea. Yet all the pressures point toward increasingly costly government: under the constitution, Mandela cannot sack white civil servants, but he must promote blacks – leading to an inevitable expansion. And the new provincial governments will also increase the civil service burden.

Mandela must also use his influence to foster an increase in labour productivity. According to figures compiled by Pretoria's National Productivity Institute, a quasi-government body, hourly manufacturing wages in South Africa, at $4.78 in 1993 dollars, rank just below wage rates in Singapore and South Korea, where productivity is far higher, and well above countries such as Malaysia ($1.80).

So in the hundreds of days to come, Mandela must show that his government is capable of delivering an economic miracle to match the feats of political magic which stunned the world. For as ANC leaders constantly stress, the political kingdom is worthless without the economic development to make it habitable. The anti-apartheid struggle is finally over; but the economic battle has just begun.

A town like Kokstad

Nelson Mandela made racial reconciliation the top priority of his first 100 days in office. And in the streets of the Natal town of Kokstad – preposterously wide and scrupulously clean, like the streets of almost every other white *dorp* (town) in South Africa – his crusade has made its mark.

In the hospital and the library, the hotels and the shops, change is subtly apparent. Eager or suspicious, reluctant or resigned, the people of Kokstad are struggling to assume the new identity thrust on them by the constitution: as equal citizens of one non-racial nation.

In the *elegant* Cape Dutch town hall building which serves as library, librarian Heather Blackway can no longer pretend to herself – as so many whites have done for so many decades – that she does not live in Africa. White hegemony established Kokstad (which, ironically, was founded by native Griqua *tribesmen in the late 19th* century) as a small corner of Europe in Africa. "Now we are an African *dorp*, no doubt about it," Mrs Blackway comments wistfully, noting that she can never be sure of finding garlic in the local greengrocer's – because, she says, blacks eat cabbage and most consumers are now black – and lamenting the fact that "African time is part of our everyday existence now".

The library has been transformed: April's elections triggered a flood of new black members, who now outnumber the whites. For though the library has been open to all races for some time, Africans were reluctant to demand their municipal rights until a black government was in place. Mrs Blackway welcomes this, but cannot help complaining of the cultural changes it has wrought. "They all talk so loud," she says, while another librarian comments that whites no longer linger for a (quiet) chat at the check-out desk, as in the old South Africa.

Mrs Blackway is clearly suffering a *crisis of identity in her native* land. Like most white Kokstad residents, she finds it hard to relate to its new symbols: the multicoloured flag, which one white town councillor dismisses as "a jockstrap up a flagpole"; the new national anthem, *Nkosi sikele i'Africa* (God Bless Africa), which has joined the Afrikaans anthem *Die Stem*; even the new president. For while Mr Mandela is universally popular among both blacks and whites, Mrs Blackway and most others say he is not "our president" – he is president of one section of a still-divided nation, not yet the national leader.

> 'Sometimes I come across whites and they are nice. Other times I think these people are not yet in the mood'

But if some of Kokstad's whites are none too keen on the new South Africa – local blacks say they are *regularly confronted by the taunt* "Go and ask Mandela" when looking for a job – others focus on the fact that, whatever the current uncertainties, things could have been so much worse.

Athena Fawcett and her husband Paul farm dairy and beef cattle near the border with the former black homeland of Transkei, where several white motorists and farmers were murdered before the elections. Athena points to the spot just outside her home where an armoured car used to mount a daily roadblock; now life is peaceful again, neighbours travel to Transkei resorts for holidays, and Athena says she is "totally relaxed". She thinks President Mandela is a "saint on earth", and her husband concurs.

Mayor Bevan Gattrell also agrees. "The election came and within days you would have sworn you were in a different country. All of a sudden we were all part of the same country." The poll lifted a weight from his shoulders. "Now we can also say: this bloody *government,*" *says Mr Gattrell, noting* that the town was one of the first to set up an *ad hoc* multiracial local council to run Kokstad (population 5,000 whites and 5,000 coloureds) and the black township of Bhongweni (population 18,000 blacks) until local elections next year.

Residents of Bhongweni, like *their white counterparts, reflect a* variety of views. Elderly nurse Elsina Masizana says race relations were transformed by the election. "Whites used to nurse the whites and blacks used to nurse the blacks. Now we are working hand in hand together." Fellow nurse Rosemary Mapekula is less sanguine. "Sometimes I come across whites and they are nice. Other times I think these people are not yet in the mood," she says.

Young Simon Zondi, local political activist and chairman of the Bhongweni Civic Association, is more forthright. "Whites are saying that [blacks can take over] at national level 'but not in my house, not where I work, I am still a white man and he is a black man'." But even Mr Zondi, who is impatient for change not just in race relations but in economic development, acknowledges "it's not an easy thing. You don't just wake up and *things have changed.*

"If it happens in three months, it won't be real," he concludes. The honeymoon is over; now the real work of nation-building can begin.

Patti Waldmeir

OBSERVER

Where is thy sting?

■ It's the silly season for news – maybe sillier than usual. The Irish Times last week ran a story – since repeated elsewhere – which reported that Ballymena undertaker Conrad O'Lone was commissioned by an unnamed Nigerian oil baron to conduct the funeral of his 114-year-old grandmother, buried in a 500lb gold-plated casket costing £1m.

She died in December but was embalmed and finally buried in February this year, when a purported 200,000 people attended a *four-day funeral service. Total cost?* A reported £4m.

Hmmm. Why should O'Lone choose to publicise his story now, some six months after the event? Yesterday O'Lone was not at his Ballymena number. Nor was he available at The Limelight, a Dublin bar where, Observer was advised by O'Lone's Ballymena company, Graveside Services, he could be contacted.

Nigeria's High Commission in London said yesterday: "We were ourselves wondering if it were true. It's too outlandish, though the village of Issele Uku (where the funeral is said to have occurred) does exist. There could have been a flamboyant burial, perhaps – but on such a scale?"

Information officer Charles Chikese adds that, surprisingly, he saw no report of the funeral in The Guardian or The Daily Times, Nigeria's two biggest newspapers.

Curiouser and curiouser. Maybe the Nigerian hacks misheard the name as Con Alone.

Fourth grace

■ Timothy Clifford, director of the National Galleries of Scotland, was back-pedalling hard yesterday, following a gaffe that may nullify his efforts to stop Canova's statue, the Three Graces, going to the Getty Museum.

He publicly apologised for saying that John Paul Getty II's crucial promise of £1m for the appeal was *motivated by the fact that father* and son had never got on.

"Clifford looks as though he's snatched the cup from his own lips," said a sympathetic but appalled figure in the art world yesterday. Others may be less forgiving.

Clifford, 48, who can be rather pompous, is boundlessly energetic. In his 10 years at Edinburgh he's shaken up the National Gallery – redecorating it in ruby, gilt and damask – and put its attendants into a tartan of his own design.

And the row over the choice of Glasgow for a gallery of Scottish art was partly the fault of the gallery's trustees, chaired by merchant banker Angus Grossart.

But at the height of that controversy Clifford did not help matters. He disparagingly described Scottish art thus: "At times it's very good, at times it's bloody awful."

That went down poorly with the stalwarts of the Scottish art world, who dislike Clifford's grand manner, English blood and upper class accent. Clifford probably doesn't have much time for them, either.

'Norman has a theory that Jesus was struck by a piece of comet'

On target

■ If you pay peanuts, you get monkeys. This old adage comes to mind after the latest howler in the Wall Street Journal Europe's investment dartboard contest. It involved a bunch of investment professionals pitting their stock-picking skills against a group of monkeys (said to be reporters in real life) who choose their stocks by throwing darts at the newspaper's stock market pages.

On Tuesday, the WSJ ran a big story about how its dart-tossing monkey had beaten the investment pros yet again. Perhaps the WSJ should go easy on the peanuts.

Yesterday it had to admit that the *shares picked by the investment* pros had in fact risen by 8.7 per cent and not fallen by 7 per cent, which looks pretty impressive when compared with the 5.5 per cent decline in the monkey's portfolio. Apparently, someone had forgotten to take account of a share split.

The motto of this unhappy tale is that, while the monkeys should not be stopped from throwing darts, perhaps the investment pros should do the adding up.

Frank discussions

■ The Washington rumour mills have been working overtime discussing which members of the US Treasury team would be thrown to the wolves as a result of the Whitewater affair. However, one official who should still be standing when the dust settles is Frank Newman, 52, BankAmerica's former chief financial officer.

Newman, the softly spoken undersecretary for domestic finance, is tipped to take over from Roger Altman as number two to Lloyd Bentsen, the US Treasury secretary. The other undersecretary, Larry Summers, has shown little interest in the banking and regulatory issues that tend to take up much of the deputy's time, and is expected to stay on the international affairs beat.

There has been gossip that one of the White House's top economics officials, such as Bo Cutter, who *spearheads the foreign trade team,* might be moved across the road to Treasury. But Bentsen may well feel that another channel of communication to the White House is the last thing he needs at the moment. Newman earned his spurs helping nurse BankAmerica back to health in the 1980s. Restoring faith in the US Treasury may test his skills to their limit.

Naked ambition

■ So what can you deduce about a politician from the clothes he wears? Too much, one of the opposition socialists standing in Germany's October general election has obviously decided. Accordingly, the bearded and well-upholstered Thomas Krüger has decorated most of Berlin with his own life-size image, unmodified by a stitch of clothing. Behind the bulging flesh is "an honest politician with nothing to hide".

Funny, looks to the untrained eye more like another politico with an over-developed ego . . .

FINANCIAL TIMES
Thursday August 18 1994

Decline in UK inflation eases fears of rate rise

By Gillian Tett and Philip Coggan in London

A surprise fall in underlying UK inflation to its lowest level for 27 years and a subdued rise in unit labour costs yesterday dispelled fears that the British government would have to move quickly to raise interest rates.

The news buoyed UK financial markets, with the FT-SE 100 Index rising 43 points to close at 3190.3. However, gilts, which rose more than a point in the morning, eased later in response to weakness on European bond markets.

The underlying inflation rate, which excludes mortgage interest payments, fell from 2.4 per cent in June to 2.2 per cent in July, the lowest annual rate in the series which began in 1975. The Central Statistical Office said it was also the lowest rate since 1967 using equivalent statistics.

Underlying inflation is well within the lower half of the 1-4 per cent target range, which the government had set for the end of this parliamentary term.

Including mortgage payments, the retail prices index fell by 0.5 per cent between June and July, partly due to heavy discounting in summer sales. However, the CSO said the price fall may have been exaggerated slightly because discounting in the sales occurred later this year than in 1993. The annual rate fell to 2.3 per cent in July from 2.6 in June.

The UK Treasury welcomed the inflation data as "very good news", adding that underlying inflation had now been running under 3 per cent for 10 successive months – the first such period since 1964.

The good news on retail prices was reinforced by average earnings data, which showed the underlying annual increase in average earnings was unchanged at 3.75 per cent in June. Combined with a rise in productivity, this meant that unit labour costs in manufacturing in the three months to June were only 0.1 per cent higher than a year previously. Such a small increase indicates that cost pressures on manufacturers are subdued.

Analysts felt the inflation figures would make it more difficult for the Bank of England to argue for an early rise in base rates, currently at 5.25 per cent, when the governor, Mr Eddie George, next meets Mr Kenneth Clarke, the chancellor, on September 7.

The Institute of Directors yesterday warned against a premature rate rise. "While recovery is continuing it is not yet in the bag and could easily be blown off course," said Mr Tim Melville-Ross, director-general. "There is no evidence of inflationary pressures which would justify an increase in interest rates."

The inflation news overshadowed employment data, which suggested the UK recovery was still not leading to the creation of full-time jobs. Although unemployment continued to fall in July, the 11,800 decline was below analysts' forecasts. The number of people out of work and claiming benefit in July was 2,631,500, or 9.3 per cent of the workforce, on a seasonally adjusted basis.

See Lex; Inflation details, Page 6; Bonds, Page 17, London stocks, Page 21; Currencies, second section

Altman resigns post after Whitewater grilling

By Jurek Martin in Washington

Mr Roger Altman, the deputy Treasury secretary, resigned yesterday, the White House said, making him the second prominent Clinton administration casualty of the Whitewater affair.

Ms Dee Dee Myers, the White House press secretary, said Mr Altman, an old friend of President Bill Clinton, had told Mr Clinton about his decision. A formal announcement was expected later.

This might include the nomination of a replacement, for which a leading Treasury candidate is Mr Frank Newman, undersecretary for domestic finance. Ms Jean Hanson, Treasury legal counsel, was also reported to be leaving.

Mr Altman's fate was effectively sealed last week when the two senior Democratic senators on the finance committee – Mr Don Riegle, the committee chairman from Michigan, and Mr Paul Sarbanes of Maryland – privately told both Mr Lloyd Bentsen, Treasury secretary, and Mr Lloyd Cutler, the White House legal counsel, that Mr Altman had lost the confidence of Congress and should therefore resign.

Since then, White House officials have repeatedly qualified earlier statements of confidence in Mr Altman and said the final decision had to be his. Much the same happened to Mr Bernard Nussbaum, the former White House legal counsel, who resigned four months ago.

Mr Altman had endured nine hours of grilling by the committee on August 2 on the question of his knowledge of briefings given by the Treasury to the White House on the status of investigations into Madison Guaranty. This is the bankrupt Arkansas savings bank previously owned by the Clintons' partner in the Whitewater land development.

At the time of the briefings Mr Altman was serving as acting head of the Resolution Trust Corporation, the agency responsible for cleaning up the savings and loan debacle of the 1980s.

He repeatedly denied any interference with the investigatory processes and pointed out that he had been cleared of any ethical and criminal wrongdoing both by Mr Robert Fiske, the former Whitewater special counsel, and by the non-partisan government ethics office. But additional controversy centred on his delay in "recusing" (disqualifying) himself from the Madison case because of his longstanding friendship with the Clintons.

Mr Altman, a former Wall Street investment banker, had appeared to be one of the rising stars in the administration and was widely seen as a successor to Mr Bentsen.

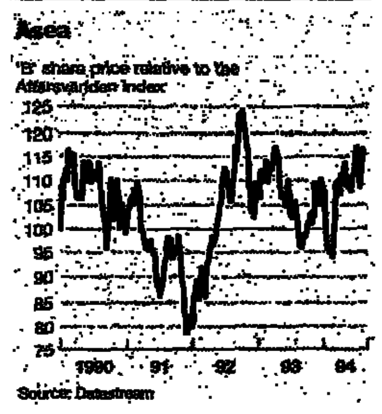
THE LEX COLUMN

The price is right

The combination of excellent news on UK retail price inflation and Tuesday's increase in US interest rates was just what the UK stock market wanted to hear. An early rise in British interest rates is now both unlikely and unnecessary. Meanwhile the Federal Reserve's crackdown on US inflationary pressures should cap bond yields on both sides of the Atlantic. Though gilts closed off their highs last night as European markets wobbled ahead of today's Bundesbank meeting, equities remained strong.

Mr Eddie George, the Bank of England governor, may still be itching to raise base rates. He is rightly concerned to maintain his anti-inflationary credibility with the markets. But the battle against inflation must not eclipse all other economic goals. The objective at this stage of the cycle should be to prolong the upturn for as long as possible. Confidence that inflation will remain subdued is, of course, necessary to persuade industry to invest in new capacity. Yet a premature tightening of monetary policy could also deter industry from expanding its capacity, particularly since another twist of the fiscal screw is due next April. Given the dearth of inflationary signs, a rise in base rates would now be premature. Not only is the underlying retail price inflation rate of 2.2 per cent at its lowest level since the series began in 1975, but wage inflation remains under control while both the housing and car markets are sluggish. At some stage, UK interest rates will have to follow their US counterparts higher. But that time has not yet arrived.

FT-SE Index: 3190.3 (+43.0)



Source: Datastream

ABB

The doubling of the Asea and Brown Boveri share prices over the past 18 months has been driven partly by ABB's growth prospects in East Asia. So its comments yesterday about mounting competition and falling prices, particularly in China, were unsettling. While too much should not be read into one half's figures, it was perhaps significant that margins in power generation, which is heavily biased towards East Asia, slipped back in the first six months although the group figure rose from 7.2 per cent to 8.5 per cent.

This improvement is the reward for years of painful cost cutting which has seen production shifted to low cost centres in eastern Europe and Asia. The process continued in the first half, with the group wage bill down 3 per cent compared with a year before. The group's margin target of 10 per cent looks within reach over the next couple of years and the combination of recovery in Europe, continued growth in East Asia and a falling tax charge could lead to a near doubling of earnings by 1996. That would put the shares of Brown Boveri, the Swiss parent company, on a multiple of around 12. Shares in Sweden's Asea, which owns the other half of ABB, have proved less popular with international investors recently and their multiple of 1996 earnings is down to little more than 10.

The ratings are in line with other European capital goods companies with arguably poorer growth prospects. The worry is that the pressure on prices in East Asia will absorb all ABB's efforts on cost. If so, its fatter rivals are in for a very painful ride.

BICC

BICC produced just enough in yesterday's interim figures to sustain the stock market's considerable faith in its recovery potential. The swing back into profits in the US after three years in the red was the biggest factor behind a 26 per cent rise in pre-tax profits. With a fair wind in the second half, the group may be able to cover its dividend this year for the first time since 1990.

The nagging worry is that much of the improvement reflects cost-cutting and rationalisation rather than improved market conditions. Despite the pace of US recovery and more stable markets in Europe, cables prices are no higher than this time last year. In addition to general deflationary pressures, overcapacity remains a problem at the low-technology end of the business. Privatised telecommunications and power utilities may also prove to be more demanding customers than they were in the public sector. Against that background, restoring operating margins in cable back to the levels of the late 1980s will be a long – if not impossible – task.

With Balfour Beatty experiencing margin pressure as well, BICC looks on track for a steady rather than spectacular earnings recovery. While a safe yield of 5.7 per cent limits the downside for the shares, a multiple of over 20 times this year's forecast earnings demands something more. For all BICC's good work positioning the business through recession, the suspicion remains that cables markets are exceptionally difficult. That may explain why the group has underperformed the stock market over five, 10 and 20 years.

Tax rate swaps

Wouldn't it be nice if companies could protect their earnings from sharp increases in corporation taxes? That is the promise held out by Morgan Grenfell, which has taken the first tentative step to creating a tax rate swap market in the UK. It believes that, given the prospect that Labour could win the next election, many companies will want to guard against the danger of higher taxes. Its tax swap product – modelled on interest rate swaps – could allow companies to fix their tax rates.

For the whole concept to work, of course, it is necessary to find counterparties willing to bear the risk of tax rates rising. Morgan Grenfell has managed to unearth one such counterparty – an international bank which actually suffers when corporation tax is cut because of the nature of various equipment leases it holds. But the size of the deal is only £15m and the number of parties in such a peculiar tax position is likely to be limited.

If tax rate swaps are to be anything more than a niche product, the market will have to embrace a wider range of counterparties. One idea is that the scheme might appeal to companies with heavy investment programmes. Though they too would suffer from higher tax rates, the blow could be softened if Labour were simultaneously to improve capital allowances. Given a sufficient inducement, they might be prepared to cushion other companies' tax risks.

Cyanamid

Continued from Page 1

hours. That deadline expired on Tuesday night, and by yesterday morning, with no friendly bidder in sight, Cyanamid's management was ready to do a deal.

Mr Stafford said yesterday: "The combined new company will benefit from a larger chemical research library and the diversification contributed by American Cyanamid's dynamic agricultural business."

The reaction of investors to news of AHP's success suggested they shared Mr Stafford's view that the deal was good for both company's shareholders. On the New York Stock Exchange, AHP's shares climbed $8¼ to $59, and Cyanamid's shares jumped $2¾ to $93¾.

Bosnia

Continued from Page 1

process buys the administration some time, it imposes deadlines from which Mr Clinton may not easily escape, given prevailing congressional sentiment.

Mr Christopher emphasised the value of the co-operation achieved this year on Bosnia between the US, Britain, France and Russia. He and the president prefer a multilateral lifting of the embargo to preserve solidarity and not to have called into question other UN embargoes in force on Iraq, Libya and Haiti.

It is considered unlikely that either Britain or France would break with the US and veto any Security Council lifting of the embargo, though abstentions have not been completely ruled out. Russia's attitude may become clear during next month's Washington summit.

Computer makers plan keyboard health warnings

By Louise Kehoe in San Francisco

Compaq Computer and Microsoft, two of the largest companies in the personal computer industry, are taking the unprecedented step of placing warning labels on computer keyboards urging users to take care to avoid possible injuries from their use.

Responding to widespread concerns about the possibility of repetitive strain injury (RSI) from computer use, Compaq will put stickers on its PC keyboards reading: "Warning! To reduce risk of serious injury to hands, wrists or other joints read Safety & Comfort Guide."

It will pack booklets with new computers and keyboards which will offer advice on computer use, including suggestions on positioning of office equipment and furniture, posture, lighting, vision care and work habits.

Most computer makers, including Compaq, are defending themselves against thousands of lawsuits filed by people who have suffered injuries which they believe have been caused by keyboard use. A central issue is whether manufacturers knew there were risks, but failed to give users adequate warning.

Compaq said it was not admitting any liability for injuries. "Even though no scientific studies have shown that typing at a computer keyboard causes these injuries, we believe that suggestions on proper computer set-up and work habits are useful in promoting general workplace comfort and health."

Microsoft is about to launch an ergonomically-designed keyboard with an angled surface, slanted keys and a wrist rest. It will put a warning on this product, the company said.

The companies are the first in the computer industry to warn that there is a chance of serious injury from the prolonged use of keyboards. Other computer companies may follow suit. However, IBM said yesterday it had no such plans.

There have been widespread reports in the US and Europe of RSI linked to computer use. The afflictions range from muscular pain in the hands, wrists and shoulders to serious nerve damage. In the US, RSI is the leading form of job-related injury, with estimates of the number of workers affected ranging as high as 5m. The American Academy of Orthopaedic Surgeons has estimated that such injuries cost about $27bn per year in medical costs and lost income.

In the UK, there were 200,000 reported cases of job-related "upper limb injuries" last year, according to the Trades Union Congress.

"Because there is much uncertainty regarding the actual cause of these health concerns, we want our customers to have the best available information on workplace comfort and safety so they can make more informed decisions," said Mr John Rose, Compaq's senior vice president.

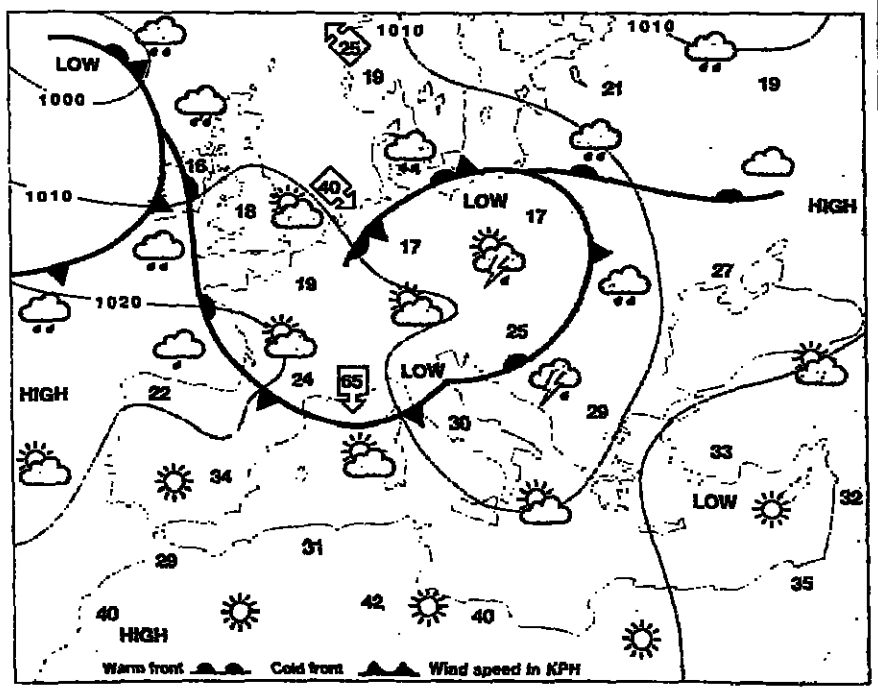
FT WEATHER GUIDE

Europe today

Plenty of rain is expected near the Baltic Sea and across most of central Europe. A moderate to fresh north-westerly flow will send cool air with showers over Germany, Poland and Austria. Some showers will be accompanied by thunder in the north. Meanwhile, Great Britain and western France will remain mainly dry but cool with temperatures between 16C-23C. A new area of rain will spread across Ireland during the afternoon. Spain and the Cote d'Azur will stay hot and mainly sunny. Scandinavia will be cool with lots of sun in the north but rain and cloud will dominate southern Sweden and Denmark. Southern Italy and areas from the southern Balkans to the Carpatians will continue hot and sunny with maximum temperatures between 27C-34C.

Five-day forecast

A westerly flow will send several disturbances over north and central Europe. As a result, unstable and cool conditions over central areas will expand over Eastern Europe and Scandinavia. More rain is expected over the Benelux, northern France and Germany by tomorrow. Only the Mediterranean and adjacent areas will stay hot and dry.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	fair	41
Accra	cloudy	29
Algiers	fair	31
Amsterdam	cloudy	19
Athens	sun	32
Atlanta	thund	32
B Aires	fair	12
B'ham	fair	20
Bangkok	rain	30
Barcelona	fair	28
Beijing	shower	31
Belfast	rain	16
Belgrade	fair	26
Berlin	rain	17
Bermuda	fair	30
Bogota	cloudy	19
Bombay	rain	31
Brussels	cloudy	19
Budapest	rain	17
C'hagen	rain	18
Cairo	sun	35
Cape Town	shower	17
Caracas	cloudy	26
Cardiff	fair	19
Casablanca	sun	28
Chicago	thund	27
Cologne	rain	17
Dakar	fair	31
Dallas	fair	36
Delhi	rain	30
Dubai	sun	41
Dublin	rain	18
Dubrovnik	fair	31
Edinburgh	cloudy	18
Faro	sun	29
Frankfurt	rain	19
Geneva	fair	21
Gibraltar	sun	30
Glasgow	cloudy	17
Hamburg	rain	18
Helsinki	fair	18
Hong Kong	thund	26
Honolulu	fair	33
Istanbul	sun	27
Jakarta	cloudy	32
Jersey	fair	19
Karachi	rain	34
Kuwait	sun	46
L. Angeles	fair	25
Las Palmas	sun	28
Lima	cloudy	19
Lisbon	fair	30
London	fair	22
Lux.bourg	shower	17
Lyon	fair	22
Madeira	sun	26
Madrid	sun	34
Majorca	fair	30
Malta	sun	34
Manchester	fair	18
Manila	cloudy	33
Melbourne	shower	12
Mexico City	cloudy	23
Miami	fair	33
Milan	sun	30
Montreal	cloudy	24
Moscow	fair	19
Munich	rain	16
Nairobi	cloudy	26
Naples	sun	30
Nassau	shower	33
New York	thund	27
Nice	fair	28
Nicosia	sun	39
Oslo	cloudy	18
Paris	fair	21
Perth	fair	19
Prague	shower	18
Rangoon	rain	30
Reykjavik	cloudy	13
Rio	fair	23
Rome	sun	30
S Frsco	fair	23
Seoul	fair	33
Singapore	cloudy	31
Stockholm	rain	19
Strasbourg	cloudy	21
Sydney	fair	17
Tangier	fair	29
Tel Aviv	sun	34
Tokyo	fair	28
Toronto	fair	26
Vancouver	fair	21
Venice	sun	27
Vienna	rain	18
Warsaw	rain	17
Washington	shower	29
Wellington	shower	12
Winnipeg	fair	22
Zurich	rain	17

FINANCIAL TIMES
COMPANIES & MARKETS
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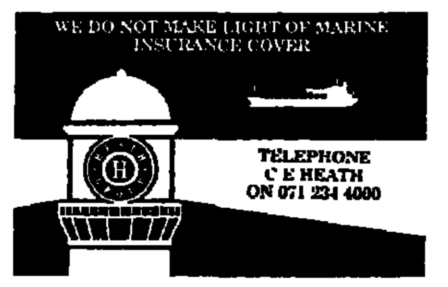


IN BRIEF

SAS emerges from the red

Scandinavian Airlines System emerged from a long period of losses to report a pre-tax profit of SKr617m ($79.1m) in the first six months of the year. The airline confirmed an earlier forecast that it would make its first full-year profit for five years this year, in spite of heavy restructuring costs and a change in its accounting of depreciation charges. Page 14

ITT lifts Ciga stake
ITT, the US conglomerate which owns the Sheraton hotel chain, has increased its stake in Ciga, the Italian luxury hotels group, from nearly 26 per cent to 35 per cent with purchases on the depressed Milan stock market. Page 14

Nedlloyd turns around
Nedlloyd, the Dutch shipping and road-haulage group, swung into a net profit of Fl 25m ($14.3m) in the second quarter of 1994 from losses of Fl 30m a year earlier. Page 15

Elkem shares fall despite gains
Elkem, the Norwegian light metals producer, more than doubled profits in the first half to NKr139m ($18.1m), but its shares fell 6 per cent on disappointed market expectations. Page 14

WestLB down 7% after provisions
Operating profits at WestLB, the German state-owned bank, fell 7 per cent to DM290m ($184.7m) after risk provisions in the six months to the end of June. Page 15

Telebrás falls 25% at interim
Telebrás, Brazil's government-controlled telecommunications holding company, reported an underlying consolidated profits after tax of R$131.3m (US$146m) for the first half, down 25 per cent on the same period last year. Page 15

BICC plans sales growth
BICC, the big UK construction group, is planning to treble its cable sales in the fast-growing Asia Pacific market to £500m ($758m) by the end of the decade and is discussing a joint venture in China. Page 14

United Newspapers buys picture library
United Newspapers, publisher of the Daily Express and a range of regional newspapers and business magazines, has paid £27m ($41.4m) cash for Visual Communications Group, a stock picture library, on behalf of its Express Newspapers subsidiary. Page 18

Britannic Assurance ups dividend 10%
Britannic Assurance, the life insurance company, yesterday announced a 10.4 per cent rise in its interim dividend, from 3.85p to 4.25p. Page 18

Raine raises cash through placement
Raine, the UK housebuilder and contractor,has raised $40m through a US private placement to help reduce the currency exposure of West Venture, its Californian subsidiary. Page 19

Tarkett set to float
Tarkett, Europe's largest manufacturer of hard flooring, yesterday announced plans for a stock market flotation valuing the German-based company at between £400m and £500m ($324.6m). Page 18

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Aachen Mch	1130	+	20
Allianz	655.5	+	14
Bil & Berger	885	+	15
Douglas Hld	515	+	15.5
MAN	452	+	11
Porsche	860	+	30
NEW YORK ($)			
Rises			
Cyanamid	93¾	+	2⅜
Deere	86⅞	+	1⅛
Kmart	17⅛	+	⅞
JC Penney	49¼	+	1⅛
Falls			
Gap Stores	41⅛	-	1⅝
3M	54⅞	-	½
PARIS (FFr)			
Rises			
Accor	674	+	21
Bouygues	840	+	14
GTM-Entrepose	475	+	13
Saint Louis	1575	+	35
Falls			
Immobanque	765	-	22
Spie Batignolles	371	-	18
TOKYO (Yen)			
Rises			
Alps Elec	1420	+	60
Eisai	735	+	42
Kobe Kiito	377	+	25
Kodama Chem	679	+	49
Towa Electron		+	
Falls			
Nippon Shindo	470	-	25

New York prices at 12.30pm

LONDON (Pence)			
Rises			
ADT	690	+	22
BTR	384	+	8
Barclays	580	+	15
Brit Aerospace	508	+	10
Eastern Elect	772	+	12
GEC	300	+	8
HSBC	734	+	17
NatWest	479	+	18
Nightfreight	118	+	12
P&O	704	+	14
Pearson	645	+	21
Rothmans	401	+	19
Seafield Res	63	+	9
Utd Newspapers	518	+	11
Whitbread	575	+	18
Falls			
Arjo Wiggins	276	-	5
Harrington Kil	34	-	8
Lex Service	392	-	11

Bad loan cuts cushion CS Holding

Swiss group sees normality returning to financial markets after 19% fall in first-half net income

By Ian Rodger in Zurich

CS Holding, the international financial services group built around Credit Suisse, has reported a 19 per cent drop in consolidated net income in the first half to SFr712m ($540m).

The decline is the smallest among the big Swiss financial institutions publishing interim results in recent days, thanks largely to sharply reduced bad loan provisions. Mr Rainer Gut, CS chairman, said the result showed the value of CS's global spread and diversified activities.

Mr Gut described the result as satisfactory and said he was confident that the full-year figures would be good, "especially as the economic recovery is gaining in strength and the financial markets appear to be returning to a more normal state".

Operating income was down 17 per cent to SFr5.4bn, mainly because of a 43 per cent slide in trading income to SFr1.27bn. CS said all its financial subsidiaries suffered declines in securities trading, but its Credit Suisse Financial Products derivatives subsidiary maintained its results at last year's high level.

Net commission income eased 6.5 per cent to SFr2.09bn, as a one-third decline at investment bank CS First Boston more than offset gains of 6-16 per cent from asset management activities.

Net interest income was off 5 per cent at SFr1.58bn due to a stagnation in loan volume and squeezed margins.

Income from investments in companies nearly trebled to SFr229m, thanks largely to the success of Credit Suisse investment funds.

Operating expenses fell 7 per cent to SFr3.43bn, mainly because personnel costs at CS First Boston are tied to performance.

Profit before taxes and provisions was down 30 per cent to SFr1.97bn, a broadly similar result to those at Union Bank of Switzerland and Credit Suisse.

CS decided to cut bad loan provisions by 32 per cent to SFr914m, citing "the economy's recovery".

This is a larger cut than the 26 per cent reduction at Union Bank of Switzerland but well below the 53 per cent decrease at Swiss Bank Corporation.

Risk management, Page 14

Andrew Hill reports on the stock market launch today of Telecom Italia

Italy tidies up its telecoms operations

Telephone "stew" was how the chief executive of Telecom Italia, Italy's newly formed telecommunications operator, yesterday described the country's old telecoms sector: a ragout of quoted companies, government departments and conflicting interests.

Many users – who as recently as 1989 had to wait about three months for the installation of a new line, and pay more for calls than most of Europe – have less palatable nicknames for the old system. However, according to Mr Francesco Chirichigno, Telecom Italia's chief executive, the sector is entering a new era – simpler, more economical and more competitive – following the merger of five operating companies to form the new group.

As of today, Italians are the owners of the sixth largest telecoms operator in the world (behind NTT of Japan, AT&T of the US, and the German, French and UK national operators), with a total turnover of some L27,000bn ($17bn), a net profit of L1,025bn, 101,000 employees and more than 25m clients.

Shares that closed in Milan last night as Sip – the old domestic operator – open this morning as Telecom Italia. Shares in the international operator Italcable – the only other quoted subsidiary – have been delisted, with investors compensated in Telecom Italia stock according to a complex share-swap and capital increase agreed in May.

Telecom Italia is still controlled by Stet, which is also quoted and is in turn controlled by Iri, Italy's state holding company. All or part of Iri's 65 per cent stake in Stet should be sold off, probably next year. Stet likes to call itself an industrial holding company, with other interests such as telecoms software, equipment manufacture and multimedia.

Analysts are generally impressed by the manoeuvre which culminates in today's stock market launch of Telecom Italia. "It tidies up what was a very untidy situation," says Mr John Clarke, telecoms analyst at Daiwa in London. "You now have effectively three entities, instead of about six."

In fact, much work has already been done by Sip to improve its service over the past five years. The three-month waiting list has been cut to 10 days in certain cities, for example.

The merger will lead to further cost cuts, according to Stet and Telecom Italia management, although they are reluctant to quantify how many of the 100,000 or so jobs might be lost in subsequent restructuring. Analysts have identified Iritel, the old government department responsible for international and long-distance traffic, as one source of overmanning and investment duplication.

Telecom Italia will also continue to rebalance tariffs to bring the Italian system more into line with its European counterparts. So far, that has been achieved mainly through cuts in international call prices, and increases in line rental charges.

Meanwhile, investors and users hope the establishment of an independent regulator for the Italian telecoms sector – as required by EU rules – will provide clarity and predictability. Last week, Italy's anti-trust authority warned that without such a body, and the parallel liberalisation of infrastructure and access to networks, "the competitive development of markets could be compromised".

That said, Italy seems unlikely to open its ordinary domestic network to full competition until required to do so by EU rules – in 1998 or later – and has been dragging its feet on implementation of existing directives on the liberalisation of specialised services.

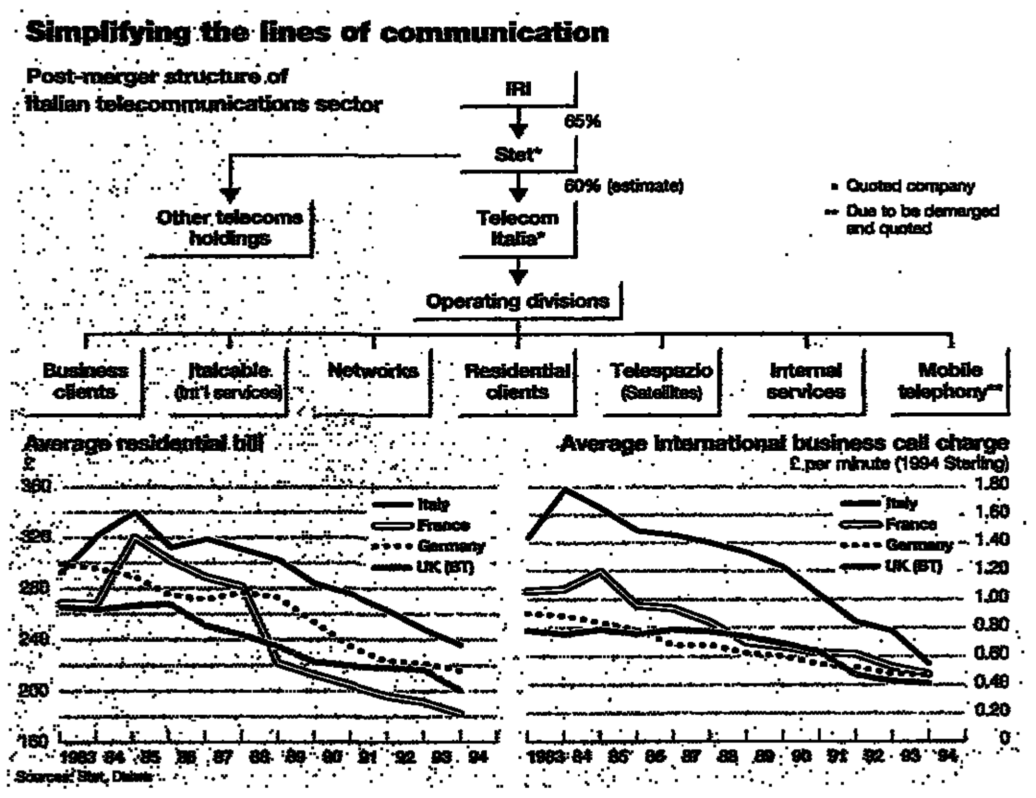
For investors, the main uncertainty in the coming months is likely to be the timing of Stet's privatisation and the promised demerger of Telecom Italia's cellular telephone business, one of the few areas of business to face domestic competition, from the Omnitel consortium, led by Olivetti, the Italian computer group.

The recent appointment of Mr Michele Tedeschi, former chief executive of Stet, as chairman of Iri seemed to raise hopes for an early privatisation of the telecoms holding company. Indeed, shortly after arriving at Iri, Mr Tedeschi suggested that his old company would be privatised in the autumn. Last week, however, the Italian industry minister indicated that Stet was more likely to come to the market in 1995.

Prolonged indecision would be bad for Stet and Telecom Italia, although a delay as part of a clear timetable for privatisation would not necessarily displease investors. It would give the companies time to engineer the keenly awaited spin-off of Telecom Italia's mobile telephone business before the end of the year, giving Telecom Italia shareholders (including Stet) a stake in a third quoted Italian telecoms company.

Today's transition, however, is more of a landmark than an earthquake. Analysts estimate that historic earnings per share of Telecom Italia are 20 per cent higher than those of Sip alone, but the name-change is unlikely to affect the share price, which already takes into account the restructuring. And ordinary users will not experience any sudden improvements in the quality of service. Indeed for customers, the only immediate change is that by substituting Telecom Italia for the monosyllabic Sip, it takes six times as long to curse the Italian telephone system.

Simplifying the lines of communication



Canadian group buys Confed's UK arm

By Alison Smith

Sun Life of Canada has bought the UK operation of Confederation Life Insurance, Canada's fourth largest insurer, in the first disposal of Confed's businesses since it was seized by financial regulators last week.

Before Confed went into liquidation, analysts had speculated that its UK arm would fetch about C$400m ($290m) but the price is thought to have fallen.

Sun Life, Canada's second-largest insurer, said the Canadian court had ruled it could not disclose the price at this stage, but it might be able to do so in one or two months' time once the deal had been concluded.

The Canadian financial regulators have made it clear that they want to move quickly to sell assets before their value is eroded. They took control of Confed late last Thursday to prevent a run on its policies and deposits after receiving information that its assets were insufficient to provide adequate protection.

Other insurers which have expressed a public interest in acquiring parts of Confed include Great-West Life Assurance, North American Life Assurance and Aetna Canada.

The acquisition of Confed's British operation is a significant expansion for Sun Life of Canada in the UK. It means a 70 per cent increase in its direct sales force, to 1,700, and the addition of 250,000 policyholders to its 612,000. Confed's UK arm had £5.8bn assets under management at the start of the year, while Sun Life in the UK had £3.9bn.

The purchase will also give it a presence in the pooled pension business, where Confed is the second largest in the market, and a retail bank.

Sun Life of Canada said it aimed to increase the size and scope of Confederation Bank, which offers residential mortgages and deposit accounts. It already has a home loans subsidiary and the two operations are likely to be integrated.

The company said it had been looking for potential acquisitions in the UK for some time. It now had the "critical mass" necessary to do well in the overcrowded UK life insurance market, but would also be open to further acquisitions.

The two organisations will continue to be run separately until regulatory and other approvals for the deal have been obtained.

ABB advances 31% to $322m after lower personnel costs

By Ian Rodger in Zurich

ABB Asea Brown Boveri, the world's largest power engineering group, has reported a 31 per cent surge in net income in the first half to $322m. It attributed the improvement to lower personnel costs.

A 3 per cent rise in the Zurich-based group's order intake, to $15.5bn, indicated that recovery was under way in many important markets.

"Germany and the other heavy countries are starting to move now," Mr Percy Barnevik, chief executive, said.

Profits before taxes and extraordinary items jumped 20 per cent to $608m. Mr Barnevik indicated that earnings growth for the full year would closely follow that trend. The full impact of the upturn in investment goods "will not be felt until next year", he said.

Revenues in the first half were flat at $13.1bn, dragged down by a 10.5 per cent slide in income from EU countries, to $4.44bn. Revenues from other western European countries, mainly the group's manufacturing centres of Switzerland and Sweden, rose 1.5 per cent to $2.57bn.

Revenues from Asia, Australasia and Africa, meanwhile, jumped 12.3 per cent to $3.2bn. Revenues from the Americas rose 2.4 per cent to $2.6bn.

Operating income climbed 19 per cent to $1.12bn, mainly because personnel expenses dropped $147m to $4.37bn. All divisions, except financial services, had improved earnings.

Mr Barnevik said the group continued to shed labour at a brisk pace, with 4,000 jobs lost in various operations in the first half. On the other hand, 2,500 people were taken on and 6,000 were absorbed with acquisitions.

The trend, he said, was to reduce employment in high labour cost areas, and increase it in eastern Europe and Asia. However, there was no plan for further large-scale rationalisation in western Europe.

The group's order backlog stood at $32.3bn at the end of June, 9 per cent higher than a year earlier. Mr Barnevik said the order intake in the first half was up 6 per cent in local currencies. He stressed that that figure represented real volume growth, as price increases were rare.

Lex, Page 12

Dutch buy breakfast cereals units

By Peggy Hollinger in London

BolsWessanen, the Dutch food and drinks company, yesterday captured 10 per cent of the £1bn ($1.5bn) European breakfast cereals market with the £81.6m purchase of UK and French food businesses from Harrisons & Crosfield, the UK conglomerate.

BolsWessanen, which makes Bols Advocaat liqueur, is buying Telford Foods and H&C Céréales, suppliers of own-label cornflakes, rice crispies and other cereals to supermarkets in the UK and France, as well as packet soups, savouries and dessert mixes. The group is paying H&C £74.4m in cash and taking on £7.2m in debt.

The deal will give the Dutch company about 50 per cent of the European market for private label breakfast cereals, estimated to be worth about £200m a year at factory prices.

BolsWessanen said the H&C cereals range complemented its private label muesli. "It is a growing market," the company said. "There has been a shift from brands to private label." It claims about 4 per cent of the European market for breakfast cereals. Sales of the enlarged company are expected to total about Fl 300m ($167m) a year.

Cereals operations have performed well for H&C and heavy investment has helped the division win substantial business in the private label market in the UK and France. The UK is by far the largest single European market for breakfast cereals, consuming about 57 per cent of the 675,000 tonnes eaten every year, or about 7kg per person.

However, the potential for own-label breakfast cereal in Europe has attracted increasing competition and led to the beginnings of a price war. This was a factor in H&C's decision to sell the business, said Mr George Paul, chairman.

H&C has raised more than £250m through disposals in the last month, following the sale in July of its Indonesian plantations for $273m. Mr Paul said the group had no intention of selling its agricultural feeds and pet foods businesses.

Yesterday's disposal is expected to dilute H&C's earnings, although this would be slightly offset by the tax position, the group said. H&C is likely to finish this year with net cash for the first time in many years. H&C is expected to seek acquisitions in the UK to build up its chemicals and building supplies businesses.

Restructuring begins to pay off as SAS recovers

By Hugh Carnegy in Stockholm

Scandinavian Airlines System emerged from a long period of losses yesterday to report a pre-tax profit of SKr617m ($79.1m) in the first six months of the year, against a deficit of SKr609m in the first half of 1993.

The jointly-run Danish, Norwegian and Swedish airline confirmed an earlier forecast that it would make its first full-year profit for five years this year, in spite of heavy restructuring costs and a change in its accounting of depreciation charges.

Sales rose only modestly, to SKr19.28bn from SKr18.95bn, but operating income in the first half swung from a loss of SKr145m last time to a surplus of SKr615m. A 12 per cent increase in air traffic revenues, and lower operating costs, offset a SKr311m increase in depreciation charges and restructuring costs of SKr274m.

The pre-tax result also benefited from a net exchange rate gain of SKr130m – after a SKr425m loss last year – and a capital gain of SKr374m from the sale in May of SAS Leisure, the tour operator, to Airtours of the UK.

The SAS Leisure sale was part of a radical restructuring to cut almost 3,000 jobs and SKr3bn in costs. It was undertaken following the collapse last year of the Alcazar project, an ambitious plan to merge SAS with Swissair, Austrian Airways and KLM Royal Dutch Airlines.

SAS said it also completed the sale on August 1 of SAS Service Partner, its catering division, to Gate Gourmet International, Swissair's catering division, for a capital gain of SKr270m. It is also selling Diners Club Nordic, a credit card operation, to Sweden's Skandinaviska Enskilda Banken for a capital gain of up to SKr200m. That sale will be completed in the third quarter.

At the halfway stage, net debt had been reduced by SKr3.9bn to SKr9.95bn, and the equity-to-assets ratio was up to 23 per cent.

In the core airline business, sales were up to SKr15.84bn from SKr14.1bn, mainly due to rising business travel. The number of passengers carried rose from 9.3m to 9.5m.

Elkem advance disappoints

By Christopher Brown-Humes in Stockholm

Elkem, the Norwegian light metals producer, more than doubled profits in the first half but its shares fell 6 per cent on disappointed market expectations.

Pre-tax profits amounted to NKr139m ($18.1m) for the period, compared with NKr61m a year ago. The market had been looking for a NKr175m profit and marked the company's shares down NKr5.50 to NKr79.

The company has been unable to take full advantage of rising aluminium and silicon metal prices because of forward contracts.

It has suffered from reduced production due to maintenance and upgrading work and from high prices in the short-term power market.

Net sales rose to NKr4.41bn from NKr3.78bn. Income from operations increased to NKr243m from NKr218m while profits from associated companies climbed to NKr40m from NKr29m. Net financial expenses fell to NKr144m from NKr186m.

The company says the underlying trend in its main markets is positive. However, it is alarmed at a possible reduction in anti-dumping measures protecting its ferro-alloy markets.

"In the short term, the market prospects for Elkem's ferro-alloy products are uncertain, with indications of lower prices for both ferro-silicon and manganese alloys, particularly in the US but also in western Europe," it warned.

It says, however, it will benefit more from higher aluminium and silicon metal prices as long-term sales and hedging agreements expire.

UK moves on £4bn power sale

By Michael Smith in London

The UK government is planning to take the first public steps next month towards selling shares in National Power and PowerGen, the privatised generators in which it still holds 40 per cent stakes. Disposal will be in February or March.

It is preparing details for banks, brokers, building societies and financial advisers. An announcement on the sale, expected to raise more than £4bn ($6.1bn), is expected next month.

The government plans to sell all its remaining shares. It sold 60 per cent of each company in privatisations three years ago.

The government expects to start marketing the sale in mid-January, with a prospectus following a month to six weeks later.

The sale will be the last of the multi-billion pound disposals of state holdings. The sale of British Coal, British Rail and 51 per cent of the Post Office would raise much less.

At yesterday's closing prices, the government's 40 per cent stakes in National Power and PowerGen were worth £4.4bn. That compares with the government's target of raising £5.5bn through privatisation this financial year.

The Treasury has indicated it expects to receive £3.7bn from other sources, including the sale of government debt and British Telecommunications shares, by the end of October.

ITT lifts its stake in Ciga to 35%

By Andrew Hill in Milan

ITT, the US conglomerate which owns the Sheraton hotel chain, has increased its stake in Ciga, the Italian luxury hotels group, from nearly 26 per cent to 35 per cent with purchases on the depressed Milan stock market.

Consob, the Italian stock market watchdog, late last month asked the US group to launch a formal bid for further shares in Ciga. However, to the annoyance of other Ciga shareholders – which include a number of Italian investment funds – it is still unclear what the price or timetable of such a bid would be.

Consob said yesterday it was up to the US group to decide on the terms. It said it was in "informal talks" with ITT representatives, and expected the US group to make an official decision shortly.

ITT said: "We are complying with the takeover regulations and final details will become public as appropriate."

ITT made clear that it had control of Ciga at a meeting of the Italian company's shareholders last month, after nearly six months of financial manoeuvring. Since then, the US group has continued to increase its stake on the market. It has also appointed three members to the seven-person board, and indicated it is looking to acquire at least 50.1 per cent.

Ciga shares yesterday closed at L1,046, down L21.

BICC plans to treble cable sales

By Andrew Baxter in London

BICC, the big UK construction group, is planning to treble its cable sales in the fast-growing Asia Pacific market to £500m ($758m) by the end of the decade and is discussing a joint venture in China. The plans were unveiled yesterday as BICC announced a 26 per cent rise in first-half profits to £63m from a restated £50m.

Details, Page 18;
Lex, Page 12

A lesson in risk management

Results from top Swiss banks raise doubts about trading strategies, writes Ian Rodger

"All good things come to an end," the chairman of Union Bank of Switzerland wrote in a surprisingly jaunty opening to the group's interim financial statement two weeks ago.

Still, it set the tone well for an unexpectedly bad set of first-half results from the big three Swiss banks, with all reporting substantial double-digit declines in profits.

On the common basis of profits before taxes and provisions, the UBS result was down 28.6 per cent to SFr1.97bn ($1.5bn); Swiss Bank Corporation was down 45.1 per cent to SFr1.19bn; and CS Holding, the group built around Credit Suisse, was off 30 per cent at SFr1.97bn.

These results are not dire – all three still achieved returns on equity above 6 per cent and have capital ratios comfortably above BIS standards – but they raise uncomfortable questions about the volatility of some streams of income, and about the limits of the much-touted sophisticated techniques of risk management.

The main cause of the profit slides has been big declines in income from trading – the money the banks make from dealing in foreign currencies and trading in bonds, shares and other securities for their own account.

UBS was hit hardest, with a 68 per cent plunge in trading income to SFr493m. SBC was not far behind with a 63 per cent fall to SFr537m. CS profit on trading was down 43 per cent to SFr1.27bn.

The banks said they had particular trouble with bond and other interest rate instruments, confirming that, like many other investors, they were caught wrong-footed when interest rates rose early this year.

However, it is obvious that some were more wrong-footed than others. Some analysts were less than happy that the banks were so willing to attribute their setbacks to "a difficult environment" (UBS) or "financial market turbulence" (SBC).

The banks have, in the last few years, been emphasising the use of futures, options and other derivative products to manage the risks in securities price movements.

SBC, in particular, has invested heavily in this area, acquiring the Chicago-based O'Conner Partners derivatives business. However, it does not seem to have done as well in controlling its risks as CS: its Credit Suisse Financial Products subsidiary, which also specialises in derivatives, matched its strong performance in the first half of last year.

The banks also plead that their trading profits in the first half of this year look particularly bad compared with the extraordinary combination of positive forces that came together in the first half of last year. The chart (right), however, suggests they do not compare well with any six-month period in the past two years.

One question being asked in Zurich is whether this sort of earnings volatility in a business that now accounts for a substantial proportion of the Swiss banks' overall profits is consistent with their high credit ratings.

For UBS, the only Swiss bank which still has triple A ratings from all international agencies, the answer appears to be "yes". The group says it felt that, with the exception of the first half of 1993, the swings were within tolerable limits.

A related question is whether the banks should be paying out huge performance-related bonuses to traders who just shrug their shoulders and blame unfavourable markets when things go wrong. The implication is that if things go right, it is more because of favourable markets than due to their performance.

Still, the banks were all helped in the first half by the disappearance of performance-related bonuses.

Personnel expenses were down nearly 12 per cent at CS, due to more incentive compensation at its CS First Boston subsidiary. At SBC, staff costs were down 5.5 per cent, and at UBS there was a 4 per cent decrease.

Meanwhile, the three continued to suffer to a surprising extent in the first half from squeezed margins on their basic lending business. Net interest income was well down at all three.

Some Swiss bankers had hoped that the competitive frenzy for business in the domestic market would ease when CS acquired Swiss Volksbank last year, but it obviously has not. Mr Hans Kaufmann, head of Swiss brokerage research at Bank Julius Baer in Zurich, notes that there are still more than 100 small regional banks in the country, many of which are weak and desperate for business.

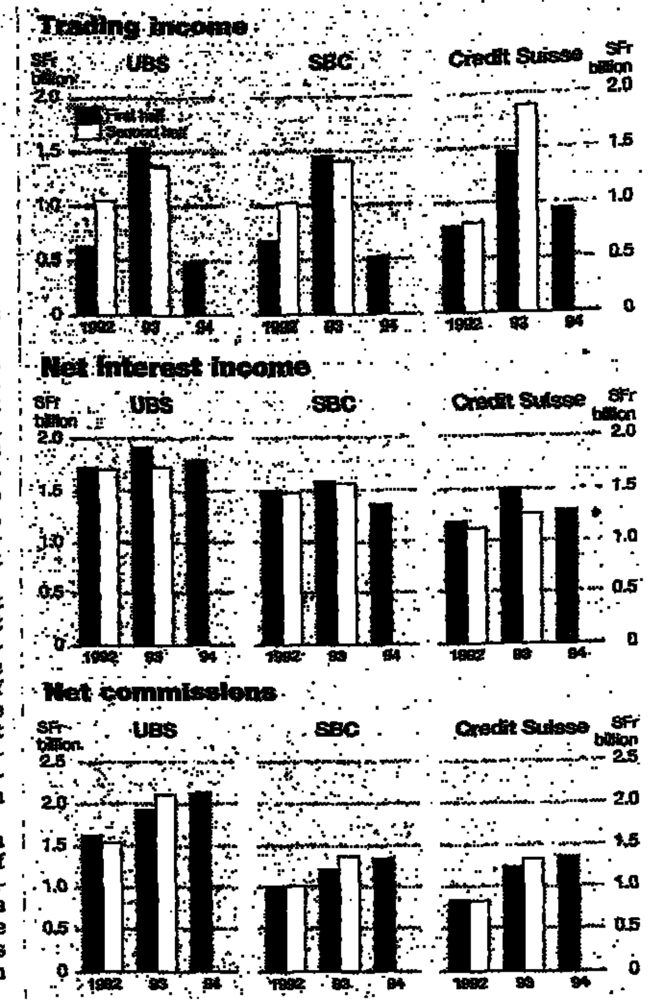
Also, according to some reports, the Volksbank takeover sparked off a discreet market share tussle among the big three themselves.

Looking on the bright side, some analysts believe the bad figures in the first half and the recent slide in the banks' share prices mean things can only improve.

Until now, the only case being advanced for an earnings recovery was that bad debt provisions would continue to fall. The three all made substantial cuts in their provisions in the first half, and both CS and UBS held out the prospect of more in the second.

"An operating improvement from this level is feasible," Ms Madeleine Hofmann of Credit Suisse said yesterday. Mr Kaufmann, too, said the risk of further big losses in bond markets, or thinner margins on lending, in the second half, seemed small.

Still, Ms Hofmann yesterday took the rare step for a Swiss broker of putting out a sell recommendation on SBC.



مكتبة الأصل

WestLB down 7% after provisions

By Christopher Parkes in Frankfurt

Operating profits at WestLB, the German state-owned bank, fell 7 per cent to DM290m ($184.7m) after risk provisions in the six months to the end of June.

WestLB, which is in effect the financial services provider to the state of North Rhine-Westphalia, set aside DM565m to cover bad and doubtful debts, up from DM550m in the comparable period of last year.

The bank group would achieve a satisfactory result for the full 12 months, Mr Freidel Neuber, chairman, said in a statement issued yesterday.

Results reported in the statement were presented according to the traditional German system, under which figures for the first six months are compared with 50 per cent of the previous year's totals.

On a direct comparison, not provided by WestLB, operating profits rose slightly from DM281m in the first half of last year, while provisions climbed sharply from DM469m.

On the traditional basis, operating income before provisions was virtually unchanged at DM856m.

In common with other banks, WestLB's earnings from own-account trading suffered badly in the early-year turbulence in financial markets, dropping from DM198m to DM33m.

Net interest earnings rose 5.5 per cent to DM1.6bn, while commission income from financial and other services for customers stagnated at DM264m.

Reduced pensions provisioning and tight cost management reduced administration costs 5 per cent to DM1.1bn.

The figures included the first-time consolidation of a 39.9 per cent stake in Landesbank Schleswig-Holstein, which contributed to a 13.5 per cent rise in the group's total assets to DM328bn. Excluding this factor, they increased 4.6 per cent. No other effects of the consolidation were reported.

Freidel Neuber: confident of satisfactory year

Cost-cutting helps Puma move back in the black

By Christopher Parkes

The cost-cutting programme at Germany's Puma sportswear group yielded fruit in the first half when pre-tax income rose to DM17m ($10.8m), compared with last year's loss of DM54.4m. Sales were up only DM2m at DM240m.

Further improvements were expected in the second half, the company said yesterday in an interim report.

Inventories and workforce totals tumbled while orders increased and the proportion of just-in-time deliveries rose to 90 per cent from 45 per cent in the first half of last year.

Interest charges also fell DM1.7m to DM4m, the report added. Total costs fell 30 per cent.

Puma attributed a rise in orders on hand at the end of the reporting period – up 4.5 per cent at DM137m – mainly to retailers' enthusiasm for new sports shoe ranges.

Meanwhile, stocks were reduced to DM74m from DM112m, and the workforce was slashed from 1,110 to 736.

The company, controlled by the Swedish sports and leisure products group, AB Aritmos, since early 1991, has staged a remarkable recovery following the appointment of Mr Jochen Reitz as chief executive in April 1993.

Shortly after his appointment he said Puma would not return to profit until 1995. However, heavy expenditure on restructuring appears to have paid off.

The last German factory making football boots was closed last year, and now most products come from east Asia.

Distribution costs have been saved by merging the brand's marketing with divisions from other parts of the Aritmos group which make tennis equipment.

The sale of closed factories has also yielded undisclosed gains.

Restructuring costs accounted for DM60.5m of Puma's 1993 deficit of DM69m.

Recovery in road transport leads Nedlloyd turnround

By Ronald van de Krol in Amsterdam

Nedlloyd, the Dutch shipping and road-haulage group, swung into a net profit of Fl 25m ($14.3m) in the second quarter of 1994 from losses of Fl 30m a year earlier.

The improved results take first-half net profit to Fl 35m, a reversal of the Fl 116m loss posted in the first six months of 1993.

Nedlloyd said European road haulage, which until now had lagged behind the steady improvement in ocean shipping, had seen a "substantial recovery" in the first half of 1994. In the second quarter, the sector posted a Fl 11m operating profit in the quarter, compared with a loss of Fl 4m a year earlier.

Ocean shipping extended the higher trend that first emerged in mid-1993, with operating results swinging into a profit of Fl 35m from a loss of Fl 5m in the 1993 quarter.

Group turnover in the quarter edged ahead to Fl 1.61bn from Fl 1.59bn.

The figures were at the lower end of analysts' expectations, however, and Nedlloyd's shares fell by 9 per cent to close down Fl 6.40 at Fl 64.60.

The results were partly weighed down by the group's Neddrill operations, which are suffering from a downturn in the offshore sector. The "miscellaneous sector", of which Neddrill is the main component, broke even in the second quarter after contributing Fl 4m towards group profit in the same period of 1993.

For the rest of the year, Nedlloyd is cautiously optimistic about its road haulage business, while for shipping it expects a continued rise in cargo volumes, in line with the growth of the market. Cargo rates are expected to remain stable in the second half.

Nedlloyd said that if the dollar remained at current weak levels, second-half results would be "adversely affected" compared with a year earlier, but they will at least match the figures for the 1994 first half.

Jyske Bank slips into the red at midway

By Hilary Barnes in Copenhagen

Jyske Bank, the Jutland-based commercial bank, slipped into loss of DKr50m ($8.09m) in the first half-year. This compares with a profit of DKr378m in the same period last year.

Core earnings from interest and fee income rose to DKr1.14bn from DKr1.06bn last year, but total financial earnings were hit by unrealised capital losses arising from falling bond and share prices.

The market value adjustment for the value of securities and foreign exchange was a negative DKr312m, against a positive DKr382m last year.

Loss provisions, however, were halved to DKr184m from DKr387m last year. The total allowance for loan losses fell to DKr1.6bn, or 4.3 per cent of loans and guarantees compared with 4.6 per cent at the beginning of the year.

Non-performing loans were reduced by 22 per cent to DKr1.2bn, said the bank.

The bank said it expected interest rates to fall from their high mid-year level, enabling it to fulfil its forecast of a profit for the year of between DKr200m and DKr300m.

However if interest rates remain at present levels profit will be cut to DKr100m, the interim report stated.

BGB reports first consolidated operating profit of DM734m

By Judy Dempsey in Berlin

Bankgesellschaft Berlin (BGB) expects to raise its dividend at the end of the year, the board of management said yesterday. The current dividend is DM9.

BGB, which was created last January following the merger of Berliner Bank and Landesbank Berlin, reported consolidated operating results of DM734m ($467.5m) in its first interim results. After taking into account risk provisions totalling DM326m, operating results came out at DM408m.

The bank said that the risk provisions were "very conservative" and were targeted on small and medium-sized companies.

BGB's trading activities, following Germany's other leading banks, showed a net loss of DM6m when compared with the consolidated accounts of the former Berliner Bank over the same period last year.

However, BGB officials said the comparison with the Berliner Bank was only for "formal reasons" since no real comparative figures yet exist for the BGB.

Administrative costs amounted to DM1.2bn and were largely the result of setting up the group's new organisational structure.

The state of Berlin holds a 67.7 per cent stake in BGB, 10 per cent is held by the Gothaer Insurance Group and the remaining 22.3 per cent is held by *minority* shareholders. Its total equity capital is DM7.8bn.

In spite of its trading losses, BGB's main strength appears to be in mortgage banking and real estate.

In the merger, BGB absorbed Berliner Hypotheken-und Pfandbriefbank and Braunschweig-Hannoversche Hypothekenbank, both active in the property market.

Consolidated business volume totalled DM222bn, compared with the DM71.4bn of the former Berliner Bank group, and credit volume DM155bn, against DM52.8bn over the same period.

Kmart forced to float units

By Richard Tomkins in New York

Kmart, the troubled US discount store group, yielded to pressure from rebellious institutional investors and has announced plans to float off three of its four specialty retailing subsidiaries on the stock market.

The three companies to be divested are OfficeMax, a chain of office supplies superstores; The Sports Authority, a chain of sporting goods superstores; and Borders/Walden, comprising the Borders book superstores and Waldenbooks book shops.

The group's fourth specialty retailing operation, Builders Square, is not considered a candidate for flotation because it does not make a profit.

Kmart has been forced into the divestment by its shareholders' rejection of an earlier plan to create classes of Kmart shares tied to the performance of the specialty retailers.

Kmart had hoped to raise between $600m and $900m by selling 20 per cent to 30 per cent of these shares without relinquishing control of the subsidiaries.

Under the new plan, Kmart will sell at least 51 per cent of its shares in three of the specialty retailers through initial public offerings, so yielding control of the companies. An initial public offering of shares in OfficeMax will take place in the next few weeks.

Kmart said it was confident the revised plan would win shareholders' approval because it had discussed it with institutional investors.

C&W warrants issued by BZW

By Antonia Sharpe

BZW yesterday issued 25m warrants designed to facilitate an arbitrage between the shares in Cable & Wireless and Hong Kong Telecom, in which C&W has a 57.5 per cent stake.

Because of C&W's exposure to Hong Kong, its share price tends not to fully reflect the value of its other activities. These include its 80 per cent stake in Mercury, the number two telephone services supplier in the UK, and telephone franchises in the Caribbean, North America and east Asia.

According to BZW, C&W's market capitalisation without HK Telecom is £0.9m. But it estimates that this non-Hong Kong business is worth a capitalisation of £3.6bn (US$5.58bn). BZW believes this apparent 75 per cent discount could narrow to a 25 per cent discount.

Many investors regularly seek to realise the true value of C&W by buying its shares and taking out short positions in HK Telecom. By so doing they are hoping that C&W shares will outperform those of HK Telecom and therefore make a profit.

BZW said its warrants simplify this process and also allow investors who are not able to short HK Telecom shares to do likewise. Trading the difference between the two shares through the warrant will also save on stamp duty, commissions, stock borrowing fees and currency transactions.

The warrants, which expire in one year, had an issue price of 105p and were trading at a mid-price of 112p yesterday.

Telebrás falls 25% to R$131m at interim stage

By Patrick McCurry in São Paulo

Telebrás, Brazil's government-controlled telecommunications holding company, reported underlying consolidated profits after tax of R$131.3m (US$146m) for the first half, down 25 per cent on the same period last year.

This was in spite an increase in net sales of 12 per cent, largely due to an increase in local telephone traffic of 7 per cent, and an increase in long-distance calls of nearly 20 per cent.

Without providing details, the company said staff and depreciation costs and spending on equipment and services had increased during the first half of this year.

It added that its financial costs had been affected by the appreciation of the yen against the dollar, which increased costs on a euroyen issue, and by high local interest rates.

Mr Sergio Goldman, an analyst at investment bank Bear Stearn's São Paulo office, said the results were weak considering the growth in telephone traffic and an 8 per cent increase in the number of lines in the past year.

Sandoz sets up $1.8bn facility

By Conner Middelmann

Sandoz, the Swiss pharmaceutical and chemicals company, plans to raise $1.8bn through a one-year loan facility as partial financing for its proposed acquisition of Gerber Products, the US baby foods maker.

The loan facility has been fully underwritten by Union Bank of Switzerland and is being syndicated among a small group of the company's relationship banks.

The credit facility is due to be signed early next week, when the co-arrangers will be announced.

The Wharf improves 26% to HK$1.77bn at midway

By Louise Lucas in Hong Kong

The Wharf (Holdings), the Hong Kong conglomerate controlled by the family of the late Sir Y.K. Pao, yesterday reported a 26 per cent rise in first-half net profits to HK$1.77bn ($230m) compared with HK$1.38bn a year ago.

The company is predicting a stronger second half on the back of a full six months' rental from Times Square, its retail and office complex.

About 75 per cent of Wharf's profits are derived from property. Times Square, which opened at the end of last year, yields about HK$900m a year in rentals.

The complex, in the prime shopping district of Causeway Bay, boasts 2m sq ft, and is fully leased. Next year will be the first full year of contributions, as tenants began moving in early in 1994.

The redevelopment of the Harbour City complex on Kowloon side is set to lift second-half profits – tenants have started moving into Gateway I, the new 1.24m sq ft office and retail complex.

Mr Gerry Higginson, executive director, said developments due over coming years, including 2.7m sq ft at Gateway II, a large shopping mall in Kowloon, and the former San Miguel Brewery site, in which Wharf has a one-third interest, would ensure robust recurrent earnings.

He said the government's attempt to cool the residential property market had had no impact on the office sector, due to the continued rush of multinationals and other blue-chip companies coming to Hong Kong. The best example is Gateway I, where rentals have doubled since marketing started in January.

The interim earnings include an exceptional item of HK$243.3m, from the sale of a Kowloon investment property. Turnover rose 60 per cent to HK$4bn from HK$2.5bn in the first six months of 1993.

On a per share basis, earnings rose 23 per cent to 80.3 cents, from 65.2 cents. More modestly, the proposed dividend of 22 cents marks a 16 per cent increase on 1993's interim 19 cents.

Earnings from infrastructure, including Modern Terminals Limited in which Wharf has a 44.8 per cent stake, were strong and are expected to grow as the group's second berth at the new Terminal Eight facility is developed.

Wharf retains ambitious plans for its cable TV network. It believes it can sign up 250,000 subscribers by the year end, in spite of having only 100,000 now.

Goodman Fielder dissidents in EGM move

Dissident shareholders who control less than 20 per cent of Goodman Fielder, Australia's largest food company, said they had demanded an extraordinary general meeting to review the composition of the board, Reuter reports from Sydney.

The shareholders include Australian Mutual Provident Society (AMP), the New South Wales State Authorities Superannuation Board, Bankers Trust Australia, and Agrifood Australia, which is owned by Mr Doug Shears, a Melbourne businessman.

"This meeting will provide an opportunity to put an end to the uncertainty regarding the direction of the company," said Mr Leigh Hall, managing director of AMP Investments.

"Our support for the extraordinary general meeting is designed to remove any obstacles for additional directors to be appointed to the board who have relevant and desirable experience," he said.

The requisition proposes the meeting consider the removal of seven directors, including the chairman, Mr John Studdy, by separate resolutions so that the position of each can be considered separately. It proposes the appointment of four directors.

On Tuesday, the rebellious shareholders rejected a plan by Goodman directors to reshape its board as part of an effort to get the struggling company back on track.

Goodman's plan included the appointment of two additional non-executive board members and for Mr Studdy to stand down once an external successor had been found.

China refines equity market rules

By Tony Walker in Beijing

China said this week it was refining regulations to further liberalise access to its equities markets. But foreign securities houses warned it would take time to be completed.

Chinese stock regulators confirmed they were opening the way for local investors to purchase B shares, reserved for foreigners. They were also preparing guidelines to permit foreign institutions access to the A share market for local investors.

China, in its efforts to bolster its equities markets, faces technical difficulties broadening access to its A and B share markets in preparation for amalgamation.

The China Securities Regulatory Commission (CSRC), the body responsible for overseeing the markets, is grappling with the complex issues, including levels of foreign ownership.

China said the new regulations would restrict foreign ownership of listed companies to 35 per cent, but securities analysts warned the task of monitoring ownership levels would present difficulties.

Several companies listed in Shanghai have floated more than 35 per cent of their equity on the B share market. In the case of Dazhong Taxi, for example, B shares account for 47 per cent. The bulk is thought to be in the hands of foreign institutions.

China's plans to allow Sino-foreign joint-venture fund management institutions to be established to channel funds into A shares will further complicate establishing foreign ownership levels.

Access by local Chinese to B shares, under new categories of investors to be approved by China's securities authorities, would add to difficulties of assessing foreign ownership. B shares are denominated in yuan, but traded in US and Hong Kong dollars.

Regulations permitting local investors access to B shares will be attached to the corporate law which came into effect on July 1 last year. B shares are being referred to in Chinese legislation as "domestically-listed overseas-invested stocks".

China's stock regulators have considered a range of options to enliven the country's flagging markets which lost more than 80 per cent of their value between the high-water mark in early 1993 and July this year.

Measures announced late in July to lift the markets, including a freeze on new listing and an injection of funds, sparked a rush in the first week of August.

This resulted in the Shanghai A share index rising by more than 100 per cent in the week before slipping back.

At the same time, the CSRC announced a target of US1bn in new B share listings this year. Shanghai's B share index has strengthened by about 15 per cent since mid-year, after falling 40 per cent since January.

Strong growth at Wesfarmers

By Emilia Tagaza in Melbourne

Wesfarmers, the Australian fertiliser, chemicals and coal group, yesterday reported a 88.7 per cent increase in profit after tax to A$139.5m (US$102.6m) for the year ended June.

Sales, which rose 34 per cent to A$2.3bn, were lifted mainly by the company's rural trading operations and its fertiliser and building products units.

The overall improvement in Australian agriculture and a large contribution from Dalgety Farmers more than doubled the rural trading division's revenue and contributed strongly to group profits.

The company forecast further growth in earnings as its expansion activities and acquisition of businesses start to pay off.

It said it would spend about A$200m on new capital projects. This is in addition to the funds it has allocated for its proposed acquisition of the 51.9 per cent it does not own in Bunnings, the Western Australian-based timber and hardware group.

The company's performance has lifted its earnings per share by 83 per cent to 71.6 cents.

Losses widen at S Korean beer producer

By John Burton in Seoul

Oriental Brewery, South Korea's largest beer producer, suffered a loss of Won19.8bn ($24.5m) for the first half of 1994, compared with a loss of Won7.3bn a year ago.

This was due to increased competition and higher investment costs following the expansion of production facilities.

The fall reflects a loss of market share, to 61 per cent from 70 per cent, due to the introduction of brands by Chosun Brewery and Jinro-Coors, Korea's two other breweries.

Chosun reported a 76 per cent growth in net earnings to Won2.2bn, primarily due to the success of Hite beer, the country's first non-pasteurised beer, which increased the company's market share to 33.6 per cent from 29.5 per cent.

● Ssangyong Motor, South Korea's fourth-largest motor vehicle producer, reported a loss of Won34.1bn for the first half of 1994, against a loss of Won19.4bn a year ago.

It blamed the deficit on heavy investment spending. Sales rose 135 per cent to Won381bn as demand for commercial vehicles rose.

Ssangyong plans to enter the passenger car market in 1996 in co-operation with Mercedes-Benz of Germany.

Colgate buys Ciba-Geigy Indian unit

The Indian unit of Colgate-Palmolive said it had signed an agreement to buy the oral hygiene business of Hindustan Ciba-Geigy for Rs1.31bn ($42m), Reuter reports from Bombay.

Hindustan Ciba-Geigy is 40 per cent owned by Ciba-Geigy of Switzerland.

Colgate-Palmolive (India), a 51 per cent subsidiary of the parent company, said turnover of the acquired business was forecast at Rs650m for 1994.

The acquisition involves the transfer of Cibaca toothpaste and other brands, distribution and manufacturing arrangements.

Analysts said that with the acquisition of Ciba's brands of toothbrushes, Colgate's market share will jump to 70 per cent. Ciba-Geigy is the market leader in toothbrushes with a 35 per cent share, followed by Colgate with 33 per cent.

Colgate said only 20 per cent of the Indian population uses any form of modern dentifrice. Hindustan Ciba-Geigy has opted out of this business to focus on ophthalmic products.

Telefónica arranges Latin American swap

By David White in Madrid

Spain's Telefónica group is set to reinforce its position in Argentina in exchange for relinquishing one of its shareholding interests in Chile.

Telefónica Internacional, its foreign investment arm, said it had reached agreement on the swap with Chemical Venture Partners, a unit of Chemical Banking of the US.

Under the deal, worth more than $200m, Chemical Venture Partners is to take over the Spanish company's 20 per cent stake in Chile's Empresa Nacional de Telecomunicaciones (Entel-Chile) in exchange for a 4.33 per cent stake in Cointel of Argentina and $46m in cash.

The deal is still subject to approval by the Chilean central bank and the US Federal Reserve.

The reshuffle of interests in Telefonica's growing Latin American empire was forced by anti-trust court decisions in Chile, which ruled that the Spanish company could not hold stakes in both of the country's main telecommunications concerns and must therefore shed either the 20 per cent stake in Entel or its holding of almost 44 per cent in Compañia de Teléfonos de Chile.

The deal will increase to 33 per cent Telefonica's stake in the Cointel consortium, which controls 60 per cent of the operator Telefónica Argentina.

The state-controlled Spanish group, which has been discussing a link with GTE as a shareholder in its international arm, also has interests in Venezuela, Peru and Puerto Rico. It has been studying further opportunities in Nicaragua, Bolivia and Ecuador.

● Nestlé, the food and drinks group, has reached an agreement with Banco Bilbao Vizcaya, the Spanish conglomerate, for the purchase of BBV's ice cream and frozen foods units, AFX reports from Madrid. No terms were disclosed.

The Swiss group said BBV's food subsidiary Sociedad Anonima de Alimentacion would sell its shares in the companies operating under Miko, Avidesa and Castillo de Marcilla trademarks.

TelecomAsia loss

TelecomAsia, Thailand's second-biggest company by market capitalisation, reported a net loss of Bt81.55m ($3.2m) in the first six months, compared with a profit of Bt521.18m a year ago, writes William Barnes in Bangkok.

Costs have risen sharply as TelecomAsia moves to supply 2m new lines in Bangkok, the Thai capital.

Japan Telecom sets auction price

By Gerard Baker in Tokyo

Japan Telecom, one of the country's three long-distance telephone operators, yesterday announced a minimum bid price of Y2.41m per share for its 17,000 shares to be auctioned on August 25.

A further 17,000 shares will be sold in a fixed-price offering immediately after the auction. This will include 5,000 shares to be offered to international investors, the first equity issue in Japan to include a separate international tranche.

The issue constitutes 9.9 per cent of the company's outstanding shares. Japan Railways will remain the majority shareholder after the offer, with about 50 per cent of the company's stock.

The minimum price represents a cash-call of at least Y819bn ($7.9bn) and indicates a price/earnings ratio of 97, based on the company's projected earnings per share for the year ending 31 March 1995.

The shares will debut in Tokyo on September 6.

Genting advances 19% at half-time

By Kieran Cooke in Kuala Lumpur

Genting, the diversified Malaysian gaming, plantations and rubber products group, has reported pre-tax profits for the six months to June 30 of M$564m ($217m), a rise of 19 per cent on the previous year.

Turnover for the group increased 12 per cent to M$1.08bn. Investment and interest income rose 5 per cent to M$56m.

The bulk of Genting's profits came once again from its listed Resorts World group, which announced pre-tax profits of M$406m for the period, a rise of 17 per cent. Resorts runs the gaming and leisure side of Genting, centred on the large casino and entertainment complex in the highlands outside Kuala Lumpur.

Asiatic Development, the listed company which groups Genting's plantations interests, reported pre-tax profits for the six months of M$15m, an 8 per cent drop on the previous figure.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales

1/2 hour period ending	Provisional Price for Trading on 18.08.94: Pool purchase price £/MWh	Final Prices for Trading on 21.07.94: Pool purchase price £/MWh	Pool selling price £/MWh
0030	13.01	12.78	14.57
0100	10.81	11.55	13.36
0130	10.81	11.55	13.36
0200	10.81	10.36	12.77
0230	10.81	10.96	12.77
0300	10.81	10.96	12.77
0330	10.81	10.96	12.77
0400	10.81	10.96	12.77
0430	10.81	10.96	12.77
0500	10.05	10.96	12.77
0530	10.00	10.05	10.05
0600	10.70	10.05	10.05
0630	10.70	11.19	13.00
0700	15.99	22.76	24.57
0730	16.24	22.76	24.58
0800	16.24	22.84	24.66
0830	17.97	22.97	24.86
0900	19.40	23.49	25.47
0930	20.23	33.55	35.70
1000	21.63	33.77	35.98
1030	21.67	33.82	36.04
1100	21.77	33.96	36.24
1130	26.56	34.53	36.94
1200	26.66	30.33	32.82
1230	26.63	30.20	32.63
1300	21.66	29.58	31.85
1330	21.71	23.73	25.84
1400	21.63	23.46	25.50
1430	21.61	23.35	25.36
1500	21.60	23.28	25.26
1530	21.61	23.25	25.23
1600	21.66	23.50	25.35
1630	21.69	29.09	31.26
1700	30.19	36.32	38.54
1730	30.10	35.95	38.06
1800	29.64	28.26	30.19
1830	21.48	22.82	24.65
1900	18.59	22.77	24.58
1930	18.58	22.76	24.57
2000	16.32	18.96	20.78
2030	16.29	17.04	18.86
2100	28.97	18.96	20.78
2130	33.39	18.96	20.78
2200	28.97	17.04	18.86
2230	16.29	32.74	34.55
2300	16.29	18.96	20.78
2330	16.29	16.71	18.53
2400	15.78	18.96	20.78

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £15.86/MWh becomes 1.586p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0602-456789 between 8:30am and 5:15pm Monday to Friday.
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Notice of Full Redemption

Kidder Peabody Mortgage Finance Ltd.

US $205,000,000

Guaranteed Secured Floating Rate Notes Due 1997

NOTICE IS HEREBY GIVEN pursuant to the Trust Indenture dated as of June 1, 1992 between Kidder Peabody Mortgage Finance Ltd., as Issuer, Financial Guaranty Insurance Company, as Surety, and BankAmerica National Trust Company, formerly known as Security Pacific National Trust Company (New York), as Trustee, that the above referenced Notes are being redeemed in full on September 15, 1994 (the "Redemption Date"). The Redemption is being made in accordance with the Trust Indenture, and pursuant to the Mortgage Loan Agreement dated as of June 1, 1992 between Kidder Peabody Mortgage Finance Ltd., as Lender and Equitable Life Assurance Society of the United States as Borrower, for the benefit and on behalf of Separate Account No. 8, whereby the Borrower is exercising its right to prepay the Mortgage Loans.

The amount of the redemption payment will be 100.00% of the principal balance of each Note together with accrued interest at the rate of 5.1625% through to and including the day prior to the Redemption Date (the "Redemption Price").

Interest on the Guaranteed Notes will cease to accrue on the Redemption Date. Payment of the Redemption Price will be made only upon presentation and surrender of the Guaranteed Notes together with all coupons appertaining thereto, maturing on and subsequent to the Redemption Date, at the office of either paying agent at its address set forth below.

Bank of America National Trust and Savings Association
London Branch
1 Alie Street, London E1 8DE
England

Banque Internationale a Luxembourg S.A.
69 route d'Esch, L-2953
Luxembourg, Luxembourg

In accordance with the Trust Indenture, the redemption shall automatically be cancelled if the scheduled prepayment amount of the Equitable Loan is not received by the Trustee when due in accordance with the Equitable Loan Agreement.

Kidder Peabody Mortgage Finance Ltd.
By: BankAmerica National Trust Company as Trustee

Dated: August 18, 1994

BA

Denmark - Fourth licensing round

On the 28th of July, 1994 The Danish Ministry of Energy invited applications for licences for exploration and production of hydrocarbons.

The blocks offered for exploration and production of hydrocarbons are situated in and around the Central Graben in the Danish part of the North Sea west of 6° 15' East longitude. Applications will be received during the period ending **at 4 p.m. on Monday, January 2, 1995.** Further information and material regarding the licensing round including outline map of the blocks offered for licensing may be requested from:

The Danish Ministry of Energy
Slotsholmsgade 1
DK-1216 Copenhagen K., Denmark
Telephone no.: + 45 33 92 75 52
Telefax no.: + 45 33 92 75 08

£100,000,000

Britannia Building Society

(Incorporated in England under the Building Societies Act 1986)

Floating Rate Notes due February 1996

In accordance with the provisions of the Notes, notice is hereby given that for the Interest Period from August 16, 1994 to November 16, 1994 the Notes will carry an Interest Rate of 5.80625% per annum. The interest payable on the relevant interest payment date, November 16, 1994 will be £146.35 per £10,000 Note and £1,463.49 per £100,000 Note.

By: The Chase Manhattan Bank, N.A.
London, Agent Bank

CHASE

August 18, 1994

LEGAL NOTICES

BLAIDWOOD LIMITED

(IN ADMINISTRATIVE RECEIVERSHIP)

NOTICE IS HEREBY GIVEN pursuant to section 48(2) of the Insolvency Act 1986, that a meeting of the unsecured creditors of the above-named company will be held at the offices of Robson Rhodes, 186 City Road, London, EC1V 2NU, on the 6th day of September 1994 at 10.00 o'clock in the forenoon, for the purpose of having laid before it a copy of the report prepared by the administrative receivers under section 48 of the said Act. The meeting may, if it thinks fit, establish a creditors' committee to exercise the functions conferred on it, by, or under the Act.

Creditors are only entitled to vote if:

(a) they have delivered to us at the address shown above, no later than 1200 hours on the business day before the meeting, written details of the debts they claim to be due, and the claim has been duly admitted under the provisions of the Insolvency Rules 1986 and

(b) there had been lodged with us any proxy which the creditor intends to use on his behalf

Dated this 8th day of August 1994
N RUDDOCK AND N H COOPER
Joint administrative receivers

Creditors may obtain a copy of the report, free of charge, on application to the joint administrative receivers at Robson Rhodes, 186 City Road, London, EC1V 2NU

MINICAS

U.S. $100,000,000

Secured Floating Rate Notes due 2004

Interest Rate 5.75% p.a. Interest Period August 18, 1994 to February 21, 1995. Interest Payable per US$500,000 Note US$14,924.00.

August 18, 1994, London
By Citibank, N.A. (Issuer Services), Agent Bank

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INTERNATIONAL CAPITAL MARKETS

Bundesbank worries erase early European gains

By Antonia Sharpe in London and Frank McGurty in New York

European government bond markets opened higher yesterday as traders responded positively to the previous day's rise in US interest rates. However, worries about the Bundesbank's intentions soon erased the early price gains and many markets ended lower. "The reaction to the Fed rate rise has been transitory," said one analyst.

The German central bank is due to hold a policy-making meeting today after its four-week summer break. Dealers were unnerved by a German press report suggesting that some Bundesbank council members were in favour of a rate cut by September on the view that it would be justified by a further slowdown in German M3 money supply.

Some analysts said a rate cut in Germany would be inappropriate against the backdrop of rising interest rates on both sides of the Atlantic and the stronger-than-expected economic growth in Germany. They added that the most likely move from the Bundesbank would be a cut of 5 basis points in the repo rate.

GOVERNMENT BONDS

"The long end of the German yield curve would not like a rate cut just as everyone is revising yield forecasts upwards," said Mr Jouni Kokko, international economist at S. G. Warburg.

He added that it was important for the Bundesbank to nurture its credibility with the market in view of its large issuance programme. He noted that yesterday's Treuhand auction of five-year notes was not a resounding success, with only DM1.65bn worth allocated to the market and the Bundesbank retaining a fairly large amount, DM1.35bn, for market tending operations.

On Liffe, the September bund future went as high as 92.42 but in late trading it was quoted at 91.59, down 0.35 point on the day in volume of 155,231 lots.

■ In London, the UK government bond market continued to outperform its European counterparts but early gains were also largely erased.

Long-dated gilt futures rose by as much as 1¼ points following news that the July Retail Prices Index was up 2.3 per cent year-on-year, below the market's consensus forecast of 2.6 per cent.

However, analysts warned that such a good number had only delayed but not removed the likelihood of a base rate rise.

The data caused the yield differential between 10-year gilts and bunds to narrow by 20 basis points to 147 basis points, the low end of the current range. Analysts said gilts would need a further boost to break below this range.

On Liffe, the September long gilt future hit an intraday high of 102$\frac{11}{32}$ but by the late afternoon it stood at 101$\frac{7}{16}$, up $\frac{5}{16}$ point on the day in volume of 97,179 lots.

■ US Treasury bonds drifted higher yesterday morning as traders digested the implications of an aggressive tightening of monetary policy announced by the Federal Reserve the previous session.

By midday, the benchmark 30-year government bond was $\frac{5}{32}$ higher at 101$\frac{11}{16}$, with the yield dipping to 7.354 per cent. At the short end, the two-year note was up $\frac{1}{32}$ at 100, to yield 6.106 per cent.

Bonds across the board held steady in the early hours of trading, as the market sought to regain its balance after Tuesday's surge in prices on the long end of the maturity range.

The rally had been triggered by the central bank's decision to lift two short-term interest rates in an effort to slow the economy's rate of growth.

The move to boost both the discount rate and the Federal funds target rate by 50 basis points each – to 4.00 per cent and 4.75 per cent, respectively – was welcomed by traders because it reinforced the Fed's credentials as anti-inflation stalwart.

In choosing the bold alternative – as opposed to pushing up the Fed funds target by a modest 25 basis points – the central bank also signalled to fixed-rate investors the beginning of a period of relative calm.

The subsequent surge in prices prompted some profit-taking in the first hours of trading. There was no fresh economic data, but the market began inching forward once again after the profit-taking petered out.

Tax rate swap deal opens a fresh vista

Morgan Grenfell's completion – announced Tuesday – of what it believes is the first UK tax rate swap agreement, for an international bank, may spark fresh interest in the market for tax swaps. But it is a market that is unlikely to become actively traded.

For any swaps market to develop, there needs to be some balance between the number of counterparties with opposite views. For example, in the interest rate swaps market, liquidity tends to dry up when everyone expects a rate hike, because the prevalence of one view creates a dearth of counterparties willing to pay a floating-rate of interest. In the case of tax rates, most companies benefit when tax rates go down and suffer when tax rates go up, so there is a lack of counterparties willing to take one side of the swap.

DERIVATIVES

The Morgan Grenfell deal is unusual in that the counterparty in question falls into just such a minority. Because of the structure of a specific leasing transaction which provides the counterparty with tax benefits, the bank in question would lose out if corporate tax rates fell.

"We have been looking for such a counterparty for five years," said Mr Ed Stacey, director of Morgan Grenfell. "We haven't done such a deal before because almost every counterparty suffers when tax rates go up. This won't be an inter-bank market: there will only ever be a limited number of deals put together."

Those deals which do occur will be privately agreed. Companies are usually unwilling to publicise tax-related deals because they do not want to appear to be avoiding tax, or to attract the attention of the authorities to any loopholes they may have found. However, because the Morgan Grenfell deal involves a straightforward transfer of the risk of an increase in the tax rate, there is no effect on tax revenues to the authorities.

The Morgan deal covers £15m of profits over a period of four years, but does not start for a year, since a tax rate increase is only considered likely if a Labour government were elected.

Morgan will have no trouble finding counterparties to take the other side of the deal, but its small size means that the scope for further business is limited.

Although the deal is something of a new departure, in allowing a specific hedge against a tax change, it relates only to the lease. A hedge against the full effect of a corporate tax rate increase on a company's profitability is not on offer. The difficulty for banks in producing such an instrument is in finding a way of offsetting their exposure, since there is no traded market, such as bond or interest-rate futures as in the case of interest rate swaps.

"I believe that derivatives will play an ever-increasing role [in hedging tax exposure]. There is no reason why a forward market in UK tax rates could not be developed," said Mr Richard Collier, lead tax partner of the financial risk management group at Coopers & Lybrand.

Whether explicitly tax-driven or not, the swaps market has always been used by companies to provide tax benefits for companies.

Such deals are commonplace, although the details are kept under wraps. However, the tax authorities are constantly on the look-out for such ploys.

See Lex

Tracy Corrigan

Credit-card backed FRN issues to raise \$1.41bn

By Conner Middelmann

The eurobond market yesterday saw the launch of several straight bond issues in a variety of currencies and three asset-backed deals.

Merrill Lynch set two global US credit-card-backed floating rate note issues for First USA Credit Card Master Trust: a six-year deal worth \$539m and a nine-year deal totalling \$880m, with the longer-dated tranche meeting with greater demand, according to the lead manager.

Most market players said they expected the bulk of the deals to be placed in the US, but according to the lead manager, some 30 per cent had been placed in Europe, citing typical FRN investors such as banks and money market funds.

Kidder Peabody brought an unusual asset-backed deal backed by Mexican tourism receivables. The \$160m senior tranche for Seventh Mexican Acceptance Corporation, is expected to yield 400-425 basis points over Treasuries and targeted mainly at emerging market investors.

INTERNATIONAL BONDS

In the sterling sector, HMC Mortgage Notes, a special purpose vehicle, launched a mortgage-backed deal in three tranches via Lehman Brothers totalling £210m.

Elsewhere, Kellogg, the US food company, joined the recent stream of Canadian dollar issuers with a C\$140m issue of 8⅛ per cent three-year bonds targeted largely at retail investors.

Although the issue was deemed to be aggressively priced, yielding 7½ basis points over the Canadian government bond, the name attracted good retail demand in Switzerland and the Benelux countries, according to lead manager Lehman Brothers. "It's a great name, and they're not a very frequent issuer," said a trader at another house. Kellogg also issued a SFr130m private placement targeted at Swiss investors.

Elsewhere, the Kingdom of Denmark tapped the euroyen sector for Y50bn of bonds in two tranches: a Y25bn issue of zero-coupon two-year bonds and Y25bn of 3 per cent three-year bonds. The paper was largely targeted at Japanese retail investors, according to Daiwa Europe, who were joint lead manager with Fuji International Finance.

Finland was said to be poised to tap the euroyen sector today for Y20bn-Y25bn of 20-year bonds, with Yamaichi tipped as lead manager.

In the Italian lira sector, Austria's OKB Bank issued L200bn of 11.35 per cent three-year bonds. Lead manager Deutsche Bank said it identified retail demand for lira bonds in Switzerland, the Benelux and Italy, in spite of recent turbulence in the Italian bond and currency markets.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
FUCCMT Series 1994-5, Cls A	500	(a1)	(a)R	Apr.2000	0.25R	-	Merrill Lynch International
FUCCMT Series 1994-5, Cls B	39.16	(a2)	(a)R	Apr.2000	0.30R	-	Merrill Lynch International
FUCCMT Series 1994-6, Cls A	750	(a3)	(a)R	Oct.2003	0.40R	-	Merrill Lynch International
FUCCMT Series 1994-6, Cls B	58.38	(a4)	(a)R	Oct.2003	0.45R	-	Merrill Lynch International
SMAC, Class A(b,a)	160	(b1)#	(b1)R	Aug.1999	1.375	(a1)(6⅞%-99)	Kidder Peabody International
SMAC, Class B(b,a)★	40	(b2)#	(b2)	Aug.1999	1.875	(a2)(8⅞%-99)	Kidder Peabody International
CIC(c)‡	50	(c1)	100.00	Aug.2001	0.25	-	Sanwa International
YEN							
Kingdom of Denmark(a)	25bn	3.00	99.99R	Jan.1997	0.30R	-	Daiwa Europe
Kingdom of Denmark	25bn	zero	98.19R	Mar.1996	0.15R	-	Daiwa Europe
STERLING							
HMC Mtge Notes 12, Cls A1(d)	170	(d1)	99.83R	Oct.2037	-	-	Lehman Brothers Intl.
CANADIAN DOLLARS							
Kellogg Co.	140	8.125	100.00R	Sep.1997	0.1875R	+7½ (8½%-97)	Lehman Brothers Intl.
ITALIAN LIRE							
OKB	200bn	11.35	100.088R	Sep.1997	0.1875R	-	Deutsche Bank London
SWISS FRANCS							
Kellogg Co.★★	130	5.25	102.20	Sep.1997	1.25	-	Lehman Brothers(Switz.)

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. ★★Private placement. ★Unlisted. ‡Floating rate note. #Semi-annual coupon. R: fixed re-offer price; fees are shown at the re-offer level. a) First USA Credit Card Master Trust. Expected maturities: 15/9/97, 15/10/97, 15/1/02 and 15/2/02 for respective tranches. Priced later. Indicated coupons: 1-mth Libor + a1) 13-15bp; a2) 33-35bp; a3) 33-35bp, max 14%; & a4) 55-58bp, max 14%. Indicated prices: par. b) Seventh Mexican Acceptance Corp. b1) Priced today at 400-425bp over Treasuries. b2) Priced today at approx 500bp over Treasuries. c) Issue launched on 25/7/94 was increased to \$150m: Callable and puttable in Aug.99 at par. c1) 3-mth Libor +$\frac{3}{16}$%. d) Expected average life: 5.1 yrs. Class A2: £20m, 3-mth Libor +25bp, par, av.life 5.5 yrs. Class B: £20m, 3-mth Libor +120bp, par. d1) 3-mth Libor +20bp. a) Short 1st coupon.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		9.000	09/04	98.5000	+1.960	9.23	9.40	9.42
Belgium		7.250	04/04	93.3000	−0.040	8.27	8.03	7.89
Canada *		6.500	06/04	85.2000	+1.600	8.79	9.04	9.07
Denmark		7.000	12/04	87.5000	−0.870	8.89	8.35	8.02
France	BTAN	8.000	05/98	102.1250	−0.380	7.21	6.81	6.47
	OAT	5.500	04/04	85.1600	−0.280	7.73	7.48	7.28
Germany Bund		6.750	05/04	96.7400	−0.400	7.22	7.02	6.77
Italy		8.500	04/04	82.0000	−0.600	11.66†	10.77	10.39
Japan	No 119	4.800	06/99	102.9540	−0.190	4.07	4.02	3.63
		4.100	12/03	96.3560	−0.098	4.66	4.70	4.32
Netherlands		5.750	01/04	90.2200	−0.200	7.21	7.06	6.86
Spain		8.000	05/04	82.0000	−0.200	11.10	10.39	10.36
UK Gilts		6.000	08/99	90-23	+6/32	8.31	8.18	7.86
		6.750	11/04	87-24	+4/32	8.56	8.42	8.24
		9.000	10/08	103-12	+8/32	8.58	8.49	8.35
US Treasury *		7.250	08/04	100-27	+31/32	7.13	7.33	7.25
		7.500	11/24	101-20	+41/32	7.36	7.60	7.55
ECU (French Govt)		6.000	04/04	84.9000	−0.320	8.33	7.98	7.72

London closing. *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Lunchtime

		Treasury Bills and Bond Yields			
		One month	4.38	Two year	6.12
Prime rate	7¾	Two month	4.62	Three year	6.44
Broker loan rate	5½	Three month	4.70	Five year	6.79
Fed.funds	4$\frac{13}{16}$	Six month	5.10	10-year	7.13
Fed.funds at intervention	-	One year	5.51	30-year	7.37

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	114.98	114.22	-0.38	115.20	114.20	165,967	113,804
Dec	114.12	113.36	-0.40	114.24	113.36	4,939	19,326
Mar	113.48	112.72	-0.40	113.48	113.00	749	4,060

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Sep	Calls Dec	Calls Mar	Puts Sep	Puts Dec	Puts Mar
113	-	-	-	0.34	2.21	-
114	0.88	2.07	-	0.60	2.66	-
115	0.44	1.65	-	1.12	-	-
116	0.15	1.16	-	1.86	-	-
117	0.06	0.77	-	2.67	4.36	-

Est. vol. total, Calls 22,363 Puts 32,629 . Previous day's open int., Calls 368,105 Puts 336,715.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	92.39	91.54	-0.40	92.42	91.49	155817	139637
Dec	91.50	90.67	-0.37	91.50	90.63	4070	27579

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Sep	Calls Oct	Calls Nov	Calls Dec	Puts Sep	Puts Oct	Puts Nov	Puts Dec
9150	0.49	0.64	0.92	1.12	0.45	1.47	1.75	1.95
9200	0.26	0.47	0.73	0.91	0.72	1.80	2.06	2.24
9250	0.12	0.33	0.57	0.74	1.08	2.16	2.40	2.57

Est. vol. total, Calls 12509 Puts 20143. Previous day's open int., Calls 279525 Puts 284639

■ NOTIONAL MEDIUM TERM GERMAN GOVT. BOND (BOBL)(LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep		98.92	-0.20			0	78

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	98.24	97.56	-0.08	98.33	97.35	44606	89271
Dec	96.75	96.08	-0.28	96.90	95.90	3445	3235

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Sep	Calls Dec	Puts Sep	Puts Dec
9750	0.80	2.19	0.74	3.63
9800	0.57	2.00	1.01	3.94
9850	0.38	1.82	1.32	4.26

Est. vol. total, Calls 617 Puts 1531. Previous day's open int., Calls 38700 Puts 34973

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	88.02	87.07	-0.28	88.02	86.71	67,847	107,164
Dec	86.30	85.78	+0.15	86.80	86.30	526	1,621

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	101-16	101-09	+0-05	102-22	101-08	97396	108906
Dec	101-19	100-29	+0-07	102-07	101-00	1248	3849

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Sep	Calls Dec	Puts Sep	Puts Dec
101	0-56	2-36	0-38	2-42
102	0-22	2-06	1-04	3-12
103	0-06	1-44	1-54	3-50

Est. vol. total, Calls 2927 Puts 3698. Previous day's open int., Calls 70651 Puts 59654

Ecu

■ ECU BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	82.40	81.96	-0.28	82.72	81.94	565	7,074
Dec	-	81.62	-0.32	-	-	-	231

US

■ US TREASURY BOND FUTURES (CBT) \$100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Sep	104-05	104-06	+0-06	104-16	104-05	438,984	338,263
Dec	103-13	103-15	+0-07	103-24	103-13	11,527	91,675
Mar	102-23	102-24	+0-11	103-00	102-23	153	4,945

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Sep	107.74			107.92	107.74	211	0
Dec	106.64			106.85	106.62	1526	0

* LIFFE contracts traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Wed Aug 17	Day's change %	Tue Aug 16	Accrued interest	xd adj. ytd		Low coupon yield Aug 17	Aug 16	Yr. ago	Medium coupon yield Aug 17	Aug 16	Yr. ago	High coupon yield Aug 17	Aug 16	Yr. ago
1 Up to 5 years (24)	120.71	+0.20	120.46	2.00	6.91	5 yrs	8.38	8.46	6.39	8.53	8.60	6.47	8.66	8.73	6.67
2 5-15 years (21)	139.57	+0.42	138.98	1.78	8.54	15 yrs	8.47	8.53	7.09	8.60	8.66	7.24	8.83	8.89	7.46
3 Over 15 years (9)	156.11	+0.44	155.42	1.91	8.24	20 yrs	8.43	8.50	7.21	8.60	8.66	7.32	8.69	8.75	7.48
4 Irredeemables (6)	178.99	+1.30	176.69	3.13	7.36	Irred.†	8.50	8.61	7.36						
5 All stocks (60)	137.22	+0.36	136.73	1.92	7.97										

Index-linked							Inflation 5% Aug 17	Aug 16	Yr. ago	Inflation 10% Aug 17	Aug 16	Yr. ago
6 Up to 5 years (2)	185.69	−0.02	185.72	0.47	3.95	Up to 5 yrs	3.55	3.91	2.61	2.40	2.92	-1.78
7 Over 5 years (11)	173.51	+0.19	173.19	0.85	3.25	Over 5 yrs	3.78	3.86	3.27	3.58	3.68	3.08
8 All stocks (13)	173.90	+0.16	173.61	0.81	3.30							

Debentures and Loans						5 year yield Aug 17	Aug 16	Yr. ago	15 year yield Aug 17	Aug 16	Yr. ago	25 year yield Aug 17	Aug 16	Yr. ago
9 Debs & Loans (75)	128.14	+0.24	128.97	3.06	6.22	9.62	9.65	7.71	9.56	9.58	8.11	9.49	9.52	8.25

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Aug 17	Aug 16	Aug 15	Aug 12	Aug 11	Yr ago	High*	Low*
Govt. Secs. (UK)	91.98	91.37	91.11	91.17	91.57	102.38	107.04	90.99
Fixed Interest	109.59	109.04	109.13	109.88	110.64	124.54	133.87	107.33

* for 1994. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94) , low 50.53 (3/1/75) . Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Aug 16	Aug 15	Aug 12	Aug 11	Aug 10
Gilt Edged bargains	75.5	76.8	84.8	118.2	79.9
5-day average	87.0	98.0	101.0	98.1	90.3

UK GILTS PRICES

[illegible]

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on August 17

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	92¼	92⅝	+⅜	7.75
Alberta Province 7⅝ 98	1000	101¾	102	+½	7.12
Austria 8½ 00	400	105⅝	105⅞	+⅝	7.30
Bank of Tokyo 8⅜ 96	100	102½	103	+¼	6.66
United Kingdom 7¼ 97	5500	101¾	101¾	-⅛	6.49
Volkswagen Intl Fin 7 03	1000	98⅜	97⅛	+⅛	7.51
World Bank 0 15	2000	21⅞	21⅝		7.50
World Bank 5⅞ 03	3000	90⅛	90¼	-⅛	7.36
World Bank 8¼ 00	1250	110	110⅜	-½	6.57
Abbey Natl Treasury 8 03 £	1000	91⅞	92¼	+¼	9.40
Alliance Leics 11⅜ 97 £	100	106¾	107⅛		8.46
British Land 8⅞ 23 £	150	87¾	88½	-¼	10.45
Denmark 6¾ 98 £	800	93⅞	94⅛		8.82
EIB 10 97 £	637	103⅞	104⅛	-⅛	8.15

[illegible]

United Newspapers pays £27m for picture library

By Paul Taylor

United Newspapers, the publisher of the Daily and Sunday Express and a range of regional newspapers and business magazines, has paid £27m cash for Visual Communications, a stock picture library, on behalf of its Express Newspapers subsidiary.

Visual Communications sells high-quality photographic images in 30 countries, to various sectors including advertising, marketing, corporate publishing, books, newspapers and magazines. The company's images are marketed by agents through a series of catalogues.

Mr Andrew Cameron, managing director of Express Newspapers, said: "On a world scale the stock picture market has increased substantially in recent years. The ability to store and transmit images digitally, the development of multimedia products and other similar factors will ensure that this growth continues.

"Express has developed its own digitally-based picture library for commercial exploitation, and there is considerable potential synergy between the two businesses."

Visual Communications doubled turnover between 1991 and 1993. Last year the company, which will be managed as a separate business unit within United Newspapers, reported pre-tax profits of £2.3m on turnover of £10m. Net assets at the end of December were £2.1m.

Last summer, United Newspapers raised £190m through a rights issue and a further £73.5m from the sale of Extel Financial, the financial information group, to Pearson, publishers of the Financial Times.

Since then, the group has made a number of acquisitions, including the $100m purchase of Harmon Publishing Company, and the acquisition of Hong Kong International Trade Fair Group for up to £29.5m as part of its strategy of expanding in east Asia.

Bank of Ireland in $53m US east coast acquisition

By Tim Coone in Dublin

Bank of Ireland yesterday announced the acquisition of Great Bay Bankshares of New Hampshire for $52.6m (£33.9m), underlining renewed confidence in the US east coast banking sector.

The purchase price represents 1.3 times GBB's book value.

GBB has five branches offering full banking services in south-eastern New Hampshire and southern Maine, and will be integrated into the existing 73-branch network of Bank of Ireland's main US subsidiary, First NH bank.

GBB has total assets of $319m, including a $180m loan portfolio consisting mostly of residential mortgages as well as commercial mortgages and consumer lending.

It reported pre-tax profits of $2.6m in its last financial year, and is forecast to produce $5m this time.

Bank of Ireland said the acquisition had a "very low level" of non-performing loans and represented a "geographic filling-in" of First NH's coverage of New Hampshire "in an area where we did not have the market share we wanted, and an affluent area at that".

The group's total market share across the state now stands at 20 per cent.

Bank of Ireland First Holdings, the holding company for the group's US subsidiaries, reported a $10.3m pre-tax profit for the quarter ending June 30, compared with a $2.7m loss.

Bank of Ireland first went into the Hew Hampshire market in 1988 and suffered heavy losses, but BOIFH produced its first profit last year, with $8m pre-tax.

Mercury World assets slip

By Kenneth Gooding, Mining Correspondent

Managers of Mercury World Mining Trust were unable to keep pace with a rapidly-advancing mining share market in the period between December 15 and June 30. Net asset value per share fell by 3.85 per cent, from 97.2p to 93.6p.

However, the investment trust said yesterday it was now fully invested. At the close on August 15 net asset value had increased to 100.75p.

The trust raised £425.8m last December – the largest investment trust launch in the UK.

Mr Peter Wilmot-Sitwell, chairman, said the shares had "traded at a level which has compared favourably both with the issue price and with the net asset value". The shares, which reached a peak of 125p earlier this year, were last night unchanged at 107p.

Recently the performance of shares in the natural resources sector had been restrained by more than $5bn (£3.2bn) of share offerings by mining and metals companies taking advantage of improved sentiment.

Net revenue for the period from October 28 to June 30 was £2.12m on income of £6.34m. Earnings per share were 0.5p.

Britannic Assurance dividend raised 10%

By Alison Smith

Britannic Assurance, the life insurance company, yesterday announced a 10.4 per cent rise in its interim dividend, from 3.85p to 4.25p.

For the six months to June 30 total life premium income fell from £193.3m to £186.1m.

However, premium income on the general insurance side held up at £17.8m (£17.9m) and an improvement in UK weather helped to turn a £1.43m underwriting loss into a profit of £930,000.

"Bearing in mind the background, we think the progress is good this year, and we are expecting reasonably healthy profit growth for the year," said Mr Brian Shaw, general manager and actuary.

Many large life insurers have already reported sharp falls in new life and pensions business for the first half of this year, compared with the equivalent period for new business in 1993.

Britannic, like other life insurance companies, is not required to release interim profits figures.

Mr Shaw said that a fall in single premium personal pensions sold to people transferring out of an occupational scheme had contributed to the overall fall in ordinary branch pensions income from £68.6m to £50.4m.

He said that while maturity values for policies of longer than 25 years were unchanged, maturity values for shorter-term policies would fall by 2 to 3 per cent as a result of reductions to terminal bonus scales for the six months from end-September this year.

Highlighting the turnround in the performance of the underwriting business after losses over the last few years, he said that most of it related to better weather. The company had had to pay out £1m less in weather-related claims than in the first half of last year.

Some increases in premiums had also helped towards the costs of meeting theft claims.

Continental Europe cable and UK construction still under pressure

N America helps BICC to £63m

By Andrew Baxter

BICC, the cables and construction group, lifted first-half pre-tax profits by 26 per cent from a restated £50m to £63m.

The rise, for the half year to July 2, was in line with City expectations and came in spite of a slight fall in turnover from £1.95bn to £1.93bn.

Earnings per share rose by 10 per cent, from 8.2p to 9p, but the interim dividend is held at 6p.

Sir Robin Biggam, chairman, said economic recovery was well-established in North America and was developing satisfactorily in the UK and Australasia.

But continental European cable markets remained difficult in the first half and margins in the UK construction sector continued to come under severe pressure, in spite of signs of volume recovery in parts of the market.

In construction, Balfour Beatty's heavy civil and power contracting business again performed well and the order book for these and other businesses remained satisfactory.

Sales were lower, however, because of the substantial completion of the Channel tunnel project and the company's caution in tendering for highly competitive contracts in the the latter part of 1993.

Sir Robin said the issues relating to the tunnel contract had been substantially resolved. The company would give more financial details on the contract "around the end of the year" when all residual issues should be settled.

In cables, the UK communications business improved significantly, as did energy cable exports from the UK, especially high voltage cables to Asia. In continental Europe overall, market conditions stabilised.

In North America, the combination of an improving market and rationalisation programmes in the last 12 months had brought a return to profitability. In Australasia, Metal Manufactures performed well.

BICC said its cash performance had been sound during the recession, but as it emerged from the downturn "the inevitable effects of increasing work in progress, together with copper price rises, are becoming evident".

Yet, with acquisition spending well down and increased income from disposals, the net cash outflow at £94m was reduced by £24m from the comparable 1993 figure.

Tarkett sets its sights on flotation

By Tim Burt

Tarkett, Europe's largest manufacturer of hard flooring, yesterday announced plans for a stock market flotation valuing the German-based company at between £400m and £500m.

The proposals, likely to involve a placing and open offer, follow the completion earlier this year of a SKr3.46bn (£286m) buy-out from Stora, the Scandinavian pulp and paper group.

Mr Lars Wisén, chief executive, said funds from the flotation would be used to finance acquisitions in western Europe and North America, where the group already operates 12 manufacturing plants, and to expand its activities in the emerging markets of eastern Europe and south-east Asia.

He warned, however, that the float was unlikely to take place before next spring at the earliest.

Announcing increased interim pre-tax profits, he said: "We are keen to come to the market. But we will not do so before the conditions are right. We still have a lot to prove.

"We aim to be the best and only alternative in the flooring world by focusing on new product areas and strengthening our international presence."

Mr Wisén led the team which oversaw the buy-out. Stora sold the hardwood and vinyl flooring business to concentrate on its core forestry operations and strengthen its balance sheet.

The acquisition was funded mainly by Goldman Sachs and CWB Capital Partners, the London-based acquisition fund, which together hold more than 87 per cent of the equity.

Christer Hiller (left) and Lars Wise'n: the float is unlikely to take place before next spring at the earliest

Although the two institutions are expected to realise part of their investment from the flotation, Mr Wisén predicted they would retain a long-term stake.

Preparations for a listing in both London and Frankfurt include pushing through a two-year rationalisation programme intended to cut administrative costs and improve international distribution.

Since 1990, the company has cut its workforce by more than a third to 4,500 and has sold its carpet and ceramic tile businesses.

It has also overhauled its management in Britain, where it plans to challenge manufacturers such as Marley and James Halstead.

Mr Christer Hiller, chief financial officer, said the rationalisation had helped lift first-half pre-tax profits by 72 per cent to £16.7m, against a pro forma £9.7m.

Turnover in the six months to June 30 rose from £263m to £270.9m and operating profits increased 36 per cent to £25.2m.

Mr Hiller attributed improved profit margins of 9.4 per cent (7.1 per cent) to cost reductions and an increased concentration on higher margin goods.

Most of those products were sold in four main markets: Germany, North America, central Europe and Scandinavia.

In spite of flat demand in recent months, the group said it had detected signs of a recovery in continental Europe and was reaping the benefits of the strengthening US economy.

It was also enjoying buoyant trading in Russia and other former Soviet republics, where recent demand had outstripped supply.

Aitken Hume £4.87m in loss

By Simon Davies

Aitken Hume International, the former banking group, yesterday announced pre-tax losses of £4.87m for the year to March 31, but said it was still looking at ways for shareholders to realise the value of what is little more than a £29m shell company.

During 1994 the company sold Aitken Hume Bank to Secure Trust for up to £7.88m, and raised £3.6m from the sale to Bank Julius Baer of Aitken Hume Bank (Guernsey).

Last year it sold National Securities Research Corporation, leaving the finance company, founded 17 years ago by Mr Jonathan Aitken, MP, with no operating businesses.

Aitken Hume has until October 29 to restructure and develop an operating finance business or the Stock Exchange will remove its listing. It is currently reviewing a range of options, the most likely of which is a reverse takeover or a cash distribution.

As at March 31 the company had net assets of £29.1m, equivalent to 54p a share, after deducting the par value of the convertible preference shares. This compares with the share price of 51p at the time of its suspension in April.

In addition, the company is owed $11.8m (£7.5m) from the sale of NSR, which is dependent on the resolution of certain tax issues in the US.

No account of this potential cash has been made on Aitken Hume's balance sheet, but the company "has been advised that settlement of these issues is now likely on terms very favourable to the company".

There are further potential profits from the proceeds of work-out debt from Aitken Hume Bank. In the meantime, the company said income from interest and rent continued to exceed outgoings.

The company is 30 per cent owned by Hong Kong-based Allied Group which is likely to sell its stake. Said Trust owns another 30 per cent.

Losses per share were 11.03p but a 1p dividend is proposed.

Decision day for Waterglade

Waterglade International shareholders will today decide the fate of the lossmaking property developer at an extraordinary meeting called to oust the board, writes Simon Davies.

The board claims to be close to achieving a debt restructuring with bankers, necessary for the company's survival. It had net negative worth of £10m as at November.

However, rebel holders led by Mr Winston Ng, controlling 11 per cent of the company, are trying to put together a financing package, involving an immediate £6m rights issue.

At the EGM, an attempt will be made to depose the three existing executive directors, and appoint Mr Ng, Mr Anthony Midgen and Mr Selwyn Midgen.

Waterglade incurred a loss of £2.37m in the six months to November 1993, and £11.7m in the 14 months to the previous May.

The management's refinancing plans surfaced last April, when the documents were inadvertently faxed to market-makers by the stockbrokers involved in the deal.

Utd Industries' director resigns

By Tim Burt

United Industries, the precision tools and springs manufacturer, yesterday said Mr Alan Matthews, its finance director, was resigning as part of a management overhaul.

His departure follows the retirement of Mr Ernest Hopwell, the group's longest-serving director, the appointment of Mr Brian Newman to head the springs division and the decision by Mr Malcolm Pye, company secretary, to stand down as a director.

Mr Matthews has been replaced by Mr James Coleman, former finance director at B Elliott, the engineering group where he worked in the past with Mr Tom Brown, United's chief executive.

Mr Matthews was on a one-year service contract and is expected to receive a "relatively modest" pay-off.

"We have completed the board reorganisation and now have a strong management team," said Mr Brown. "We've been through a major transformation. Alan Matthews did a sterling job but I needed to build my own team."

That transformation was dominated by the £25m purchase this year of three engineering businesses from BBA.

New chief moves to take Andrews Sykes private

By Paul Taylor

Mr Jacques Murray, who completed his boardroom takeover at Andrews Sykes by succeeding Mr David Hubbard as chairman last month, has launched a bid to take the specialist industrial group private.

European Fire Protection Holding, a private Netherlands-based company owned by Mr Murray, yesterday lifted its stake from 29.67 per cent to 37.87 per cent by acquiring a further 1.17m ordinary shares at 50p apiece.

European Fire also acquired 760,000 convertible preference shares, representing 8.26 per cent of the issued convertible preference share capital.

The acquisition of the additional ordinary shares triggered the takeover bid under the City Code.

Under the terms of the bid, disclosed after the market closed, European Fire is offering 50p a share cash for the outstanding ordinary shares, unchanged at 47p yesterday, and 12p a share for the preference shares, which also closed at 47p.

The bid values Andrews Sykes at about £8.2m. Earlier this year Mr Murray took Nu-Swift private in a similar buy-out bid.

Genting raises LIG stake

By Tim Burt

London International Group said yesterday that Genting, the Malaysian casino and plantations company, had increased its stake in the UK rubber goods manufacturer to 9.53 per cent.

Genting, Malaysia's fifth largest company with cash assets estimated at M$1.5bn (£381m), acquired the shares through Powerstock, its London-based investment company. Its holding, which stood at 4.4 per cent in April, now totals 32.3m shares.

Genting last year spent M$150m on a 6 per cent stake in Lonrho, the UK conglomerate. It is believed to have sold the majority of that stake.

British Biotech director's pay up

By Paul Taylor

Mr Keith McCullagh, chief executive of British Biotech, saw his total emoluments, excluding pension contributions, increase by 18.8 per cent from £191,000 to £227,000 last year even though the group's pre-tax loss widened from to £21.5m from £18.1m.

Mr McCullagh, one of the founders of the company in 1986, also benefited from increased pension contributions of £17,000 (£12,000).

When British Biotech announced the higher loss for the year to April 30, it emphasised that it had been another successful year for the group.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Aitken Hume Intl ......fin	1	-	1	1	1
Armitage Bros ......fin	3.7	Oct 6	3.6	6.4	6.2
BICC ......int	6†	Jan 3	6	-	19.25
Britannic Ass'ce ......int	4.25	Oct 6	3.85	-	12.8
North Midland ......int	0.2	Oct 7	0.4	-	0.4
Rea Brothers ......int	0.5	Oct 7	0.3	-	0.75
Rosebys ......int	1.5†	Oct 14	1.4	-	4.65

Dividends shown pence per share net except where otherwise stated. †On increased capital.

PUBLIC WORKS LOAN BOARD RATES

Effective August 16

Years	Quota loans* "Lower" quota rates by EIP†	by A††	at maturity§	"Higher" quota rates by EIP†	by A††	at maturity§
1			6½			6⅝
Over 1 up to 2	6¾	6⅞	7⅜	6⅞	7	7½
Over 2 up to 3	7⅜	7½	8¼	7½	7⅝	8⅜
Over 3 up to 4	7⅞	8	8⅝	8	8⅛	8¾
Over 4 up to 5	8¼	8¼	8⅞	8⅜	8⅜	9
Over 5 up to 6	8⅜	8½	9	8½	8⅝	9⅛
Over 6 up to 7	8⅝	8¾	9⅛	8¾	8⅞	9¼
Over 7 up to 8	8¾	8⅞	9¼	8⅞	9	9⅜
Over 8 up to 9	8⅞	8⅞	9¼	9	9⅛	9⅜
Over 9 up to 10	8⅞	9	9⅜	9⅛	9¼	9⅜
Over 10 up to 15	9⅛	9¼	9⅛	9⅜	9½	9⅜
Over 15 up to 25	9⅛	9¼	9	9½	9½	9¼
Over 25	9	8⅞	8⅞	9⅜	9¼	9¼

*Non-quota loans A are 1 per cent higher and non-quota loans B 2 per cent higher in each case than quota loans. †Equal instalments of principal. ††Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). §With half-yearly payments of interest only.

Rea Brothers declines after losses on bonds

By Simon Davies

Bond portfolio losses of £854,000 hit Rea Brothers, the private banking group which yesterday reported pre-tax profits of £621,000, down from £802,000.

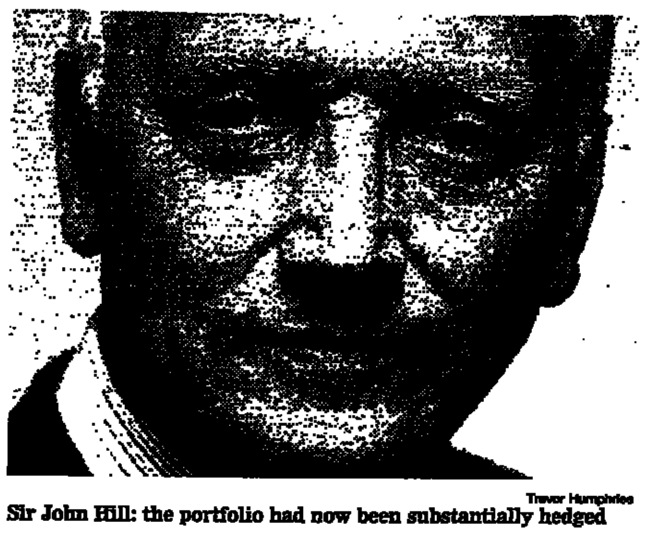
However, the group recorded strong growth in income from corporate finance, trust and fund management operations, and showed confidence in its core activities by proposing a 0.2p increase in the interim dividend to 0.5p.

Dealing contributions turned from a £500,000 profit to a £736,000 loss for the six months to June 30, reflecting the provisions against its £7m fixed interest securities portfolio.

The losses were flagged in a profits warning last June, but the overall results were better than expected and the share price rose 3p to 66p.

Sir John Hill, chairman, said Rea had now "substantially hedged" its portfolio following the impact of a drop in bond prices of more than 10 per cent earlier this year. He said the group was confident that such provisions would not recur.

Fee income rose by £1.5m to £5.52m, reflecting an upswing in corporate finance activity, including Hobson's purchase of the Co-operative Wholesale Society's food manufacturing business.



Trevor Humphries

Sir John Hill: the portfolio had now been substantially hedged

The fund management division increased funds under its control by 7 per cent, in spite of declining equity markets, while the trust division reported a 17 per cent increase in gross income.

However, there was a fall in interest income from the banking division to £1.88m (£1.91m), reflecting the competitive market for deposits.

The company has settled legal proceedings against a defunct Rea Brothers pension scheme for an undisclosed figure, which was within provisions of £300,000 for its settlement made in 1993.

Earnings per share amoumted to 1.13p (1.42p).

Raine raises $40m for US building offshoot

By Tim Burt

Raine, the UK housebuilder and contractor, has raised $40m (£25.8m) through a US private placement to help reduce the currency exposure of West Venture, its Californian subsidiary.

The placement, arranged earlier this week by NatWest Markets, replaces a $35m borrowing facility which was due to expire this year.

Funds from the placing will be held by the UK parent group, which oversees West Venture's spending on its programme of building starter homes.

In the half year to December 31, the Californian housing operation reported losses of £605,000, against profits of £819,000 previously.

Mr Peter Parkin, chairman, said the use of more structured financing would considerably assist the subsidiary's longer term development.

The issue of 8.7 per cent guaranteed senior notes to Teachers Insurance & Annuity and John Hancock Mutual Life also marks a partial shift in strategy from reliance on relatively short-term borrowings to more medium and long-term finance.

It follows the group's decision last year to take on a 5-year syndicated loan for £50m.

The two deals are expected to reduce Raine's dependence on borrowing facilities maturing within one year. Last year such borrowing represented £85.1m of the group's total facilities of £196.6m.

Reducing debt of £93m seen as priority for shoe materials group

USM Texon close to flotation

By Andrew Baxter

USM Texon, the Leicester-based manufacturer of shoe materials and manufacturing equipment, plans to go public in the near future to reduce its £93m debt burden and provide greater freedom to exploit growth opportunities.

No date has been set, but Mr John Foster, managing director, said that "everybody is feeling that the time for an exit is near". The company was created in 1987 as the result of a $115m (£75m) management buy-out from the former Emhart company of the US.

Mr Foster would not say what value the flotation would put on the company, the world's largest producer of shoemaking machinery. But, with consolidated turnover last year of £179m, the stock market launch would be a substantial deal and a full listing.

Timing would depend on market conditions and the development of a suitable financial record. The company's machinery business is emerging from a difficult period caused by recession and the collapse of east European markets; overall, it lost a total of £13m in 1991 and 1992.

It returned to the black last year with pre-tax profits of £4.7m. Profit would be higher this year, said Mr Foster, and would rise again in 1995. Orders in the machinery business had risen dramatically since April.

The debt burden, which is about 70 to 75 per cent of capital, stems mainly from its $100m takeover in 1990 of the Texon footwear materials business. The annual interest bill, now running at £8.5m, delayed the restructuring of the machinery business, involving the closure in 1992 of its factory in Frankfurt.

Mr Foster believes the world shoe machinery market, of which the company has a share of about 19 per cent, could recover from the current £250m a year to £350m by next year, returning to the 1989 level.

The machinery business is benefiting from the company's development programme, which has transformed the product range over the past five to seven years through the use of proprietary software. "None of our competitors has gone as far on electronics as we have," Mr Foster said.

The less cyclical materials business is also developing new applications for its technology in air filtration and medical products.

Mr Foster said there were opportunities for USM Texon in east Asia, where demand for machinery is growing as western shoe manufacturers seek more consistent product quality. The materials business has already set up a 60 per cent-owned joint venture in Foshan, China, to make cellulose.

The company has discussed the planned flotation with a number of City merchant banks and Mr Foster said institutions, which own 89 per cent of the shares, "won't be holding us back". The remaining 11 per cent is held by management.

USM Texon was called United Machinery Group until 1991. It will have to be renamed again when it goes public, to avoid confusion with the Unlisted Securities Market.

Maple Leaf Foods expects to show modest expansion

By Robert Gibbens in Montreal

The lingering effects of the recession are still holding back Maple Leaf Foods, but Canada's biggest food processor expects to report modest profits growth for the full year, said Mr Brent Ballantyne, president.

Maple Leaf, 56 per cent owned by Hillsdown Holdings of the UK, reported second quarter net profit up from C$16.9m to C$17.9m (£8.3m) or 22 cents (20 cents) per share.

Sales rose to C$798m (C$742m).

First half profit declined from C$27m to C$25.9m – 32 cents (33 cents) per share – on sales of C$1.46bn (C$1.37bn).

Mr Ballantyne said he expected difficult trading conditions to continue for the rest of the year. However, he anticipated that the company would show modest growth for the year.

Maple Leaf is concentrating on new products and marketing improvements, besides further cost reductions and heavy capital spending in its main businesses.

Agribusiness and bakery operations were strong in the first and second quarter, said Mr Ballantyne, but the consumer foods business contributed less, reflecting strong price pressures and tight consumer budgets.

The cost reduction programme includes moving a high-cost Toronto meat processing plant to new facilities in smaller centres.

Interest income for the second quarter was lower than last year as a result of lower cash balances – down from C$215.4m to C$128.9m – but analysts expect Maple Leaf to use its remaining substantial cash resources to make acquisitions.

Rosebys ahead by 8%

Rosebys, the household textiles and soft furnishings retailer, yesterday announced an 8 per cent rise in pre-tax profits in its less favourable first half.

On turnover ahead 11 per cent to £24m (£21.6m) and after a £75,000 charge as compensation for loss of office, pre-tax profits for the six months to June 30 improved to £738,000, against £681,000.

Mr Roy Waudby, chairman, said, however, that trading continued to reflect a "patchy" economic recovery. Sales growth was attributable to new store openings in the last 12 months.

The interim dividend is 1.5p (1.4p), from earnings of 2.4p (2.3p).

NEWS DIGEST

Goode Durrant disposals

Goode Durrant has completed its withdrawal from housebuilding in north-west England through two sales worth a total of £5.26m.

The north-west housing division of its Rawlings Bros subsidiary is being sold to Bowey Group of Newcastle upon Tyne for about £4.94m, subject to the finalisation of accounts. A further £320,000 is being paid for the three sites in the region.

Goode is seeking ways of withdrawing from housebuilding in south-east England and selling its remaining assets in the north-west, mainly industrial and commercial property. Provisions of up to £2.73m may be needed.

As part of its strategy of concentrating on its core vehicle and equipment hire activities, Penet, an equipment hirer based in Avonmouth, is being acquired for £162,000.

North Midland margins decrease

North Midland Construction yesterday reported a pre-tax profit of £101,000 for the six months to June 30, against a £95,000 profit in the first half of 1993 and a £14,000 deficit for the whole of that year.

Sales for the first half increased by 43 per cent to £12.5m (£8.75m) but margins decreased.

A reduced interim dividend of 0.2p (0.4p) is payable from earnings per share of 0.76p (0.71p).

McKechnie makes £6m disposal

McKechnie, the plastics and metals components group, is exiting from the European packaging industry with the disposal of its UK packaging businesses to RPC Group for £6m cash.

In the year to July 31, the businesses – McKechnie PBC and Polytop – had sales of £8m, producing profits before tax of £0.6m. At the end of July, the businesses had net assets of £4.3m.

Dunedin Japan net asset value at 104.6p

Dunedin Japan Investment Trust had a net asset value of 104.6p at June 30, a 9.9 per cent rise on the 95.2p at its launch at end-July 1993.

Net revenue for the period amounted to £14,237, equivalent to earnings of 0.07p per share. No final dividend is proposed.

Armitage Brothers increases 22%

Pre-tax profits rose 22 per cent at Armitage Brothers, the pet products manufacturer, in the year to May 29.

Turnover was up 3 per cent to £22.7m and generated profits of £1.07m, compared with £875,000. Earnings per share rose from 14.6p to 17.9p.

A recommended final dividend of 3.7p makes a total of 6.4p (6.2p) for the year.

Glencar placing and offer to raise I£2.9m

Glencar Explorations, the Dublin-based mineral exploration company, is making a I£2.94m (£2.9m) share placing and open offer.

The move is being carried out to fund an increase in Glencar's equity interest in the Wassa project in Ghana and its other exploration activities.

Glencar is placing 6.36m new ordinary shares at 33p each, of which, subject to certain conditions, 5m will be placed with Bermuda-based Emerging Markets Gold Fund. The 1-for-10 open offer, if fully subscribed, would result in the issue of 2.55m shares.

Assuming the offer is fully subscribed, EMGF will hold about 14.5 per cent of Glencar's enlarged equity and will be entitled to appoint a board representative.

Paribas French shows improvement

Net asset value per share at Paribas French Investment Trust ended the six months to June 30 at 133.33p, against 124.57p a year earlier.

Net revenue increased from £253,800 to £383,700. Earnings per share were 1.28p (0.85p).

Dudley Jenkins to seek listing

Dudley Jenkins, the supplier of direct mail services, is seeking to move from the USM to the Official List. Dealings are expected to begin on Monday.

Mr Tylan Bahcheli, chairman, announced the company's intention when reporting preliminary results in July. He then reported pre-tax profits for the year to April 16 per cent higher at £903,000 (£779,000) on turnover 19 per cent ahead at £12.6m.

Vancouver company is UK tin mine's rescuer

By Kenneth Gooding, Mining Correspondent

The company that came to the financial rescue of South Crofty, the last operating tin mine in the UK, was last night revealed as Crew Natural Resources, a Vancouver-quoted company formed in 1982 by two Britons, Mr John Darch and Mr Gerald Wright.

Mr Darch, 47, is a Dorset man with banking experience with the National Westminster in the south-west of England and Mr Wright, 45, is an Ulster man with a PhD in Water Resources Engineering from Queens University, Belfast.

Crew has acquired 60 per cent of South Crofty in the recent £1.15m cash-raising exercise and, in due course, proposes to offer other South Crofty shareholders the chance to exchange their holdings on the basis of two Crew shares for every one of South Crofty. The company's name is likely to be changed to South Crofty and it will attempt to gain a listing on a more senior stock exchange, possibly London.

Mr David Williamson, the consultant who was instrumental in putting Crew and South Crofty together (and who is a director of a Crew subsidiary) said: "Those financial institutions wishing to have an equity exposure to the tin market will now have the opportunity to do so." He said South Crofty had been starved of cash for many years and it was probable that Crew's management would want to raise further funding for the long-term development of the South Crofty mine.

Mr Williamson said Crew's long-term commitment could be judged from its other operations – developing Canada's first geothermal energy project in British Columbia and a potash deposit in Thailand and exploring for diamonds in Botswana.

He suggested that a "modest" rise in the tin price would return South Crofty to profitability in 1995. It employs 260 people and produces about 2,200 tonnes of tin a year.

World Bank sees short-lived commodity boom

By Alison Maitland

The present surge in commodity prices is likely to be much smaller and more short-lived than that of the 1970s, according to the World Bank.

In its latest quarterly report on Commodity Markets and Developing Countries, the bank points out that circumstances differ significantly from those of the 1970s.

The biggest difference is that the countries of the former Soviet Union and eastern Europe, which were large commodity importers in the 1970s, now lack the foreign exchange to fund high levels of imports.

The report also says that oil-producing countries in Opec, which big heavy importers when oil prices surged in the 1970s, are now in a weaker economic position.

Thirdly, it says, many developing countries which imported large quantities of raw commodities such as grains when their incomes rose, were now self-sufficient or even net exporters.

Nevertheless, the bank says certain commodities that have risen strongly, coffee for example, may still have spectacular price increases to come.

"Coffee prices are expected to remain high for several years since recent investments in new tree plantings have been low and the lag between new plantings and production is long – new plantings take about three years to begin production and eight years to reach maximum yields," says the report.

"Thus significant production increases are not possible before 1997. Coffee is poised for a significant price boom even if no further production problems occur."

It adds, however, that expected sharp increases in output by 1997 will lead to a rapid drop in world prices, as occurred after 1977 and 1986.

The bank says its commodity price index will be driven higher by further sharp rises in a few commodities that have been severely depressed, but that nearly two-thirds of the 33 commodities covered are expected to show some increase between now and 2000.

Cotton prices, driven up by 55 per cent between October and June by poor crops in the major producing countries, are likely to remain high for 12 to 18 months, it says. World production should rebound in 1994, but disease and pest problems will delay a full recovery in important cotton regions of China and south Asia.

Oil prices are expected to remain firm for the rest of the year because of relatively tight markets but prices could weaken significantly next year if Iraqi crude exports return to the international market, the report says.

It argues that copper prices, up 45 per cent since November because of stronger demand and a big reduction in stocks, should fall as new production comes on stream in the second half of the year.

"More moderate increases in demand of 2-3 per cent a year are not likely to absorb large production increases expected in 1995 and 1996."

Grain prices should also be lower this year and next if yields return to normal, since supply disruptions rather than increases in demand are responsible for current high prices, the report says. But if yields are well below average for a second year, further price rises will be on the cards.

Commodity Markets and the Developing Countries, a World Bank quarterly. From World Bank Publications. Box 7247-7956. Philadelphia. PA 19170-7956. USA. Annual subscription $150.

Western Mining studies plan for big expanision at Olympic Dam

By Emilia Tagaza in Melbourne

Western Mining Corporation, one of Australia's biggest mining groups, is to begin a feasibility study into a major expansion of its copper, gold and uranium mine at Olympic Dam in South Australia.

The company has been upgrading the mine operations during the past two years, but the longer term plan is to double the size of the project. In 1993-94, Olympic Dam produced 56,684 tonnes of refined copper, 1,289 tonnes of uranium oxide, 25,968 troy ounces of gold and 423,374 ounces of silver. Current upgrading programmes costing the company A$88m are expected to increase production in 1995 to 84,000 tonnes of copper and 1,500 tonnes of uranium oxide.

The South Australian government, which announced the feasibility study, is holding discussions with the federal government to help ensure that the expansion project goes ahead.

The South Australian economy stands to gain from the project as it is expected that 50 per cent of the spending on supplies and manpower will be in the state.

One issue that needs to be resolved is a proposed World Heritage listing of the Lake Eyre region of South Australia. The Olympic Dam operations draw water from borefields near the lake.

Canadian group gives up forest rights worth £5.6m

By Bernard Simon in Toronto

A British Columbia forestry company has relinquished its tree-cutting rights over a vast tract of rain forest as part of industry and government efforts to counter environmental pressures for tighter logging restrictions.

West Fraser Timber of Vancouver estimates that timber in the Kitlope Valley, a scenic wilderness area 550km north of Vancouver, is worth about C$12m (£5.64m). The decision affects 317,000 hectares of land that contain a variety of wildlife as well as one of the biggest uncut rain forests outside the tropics. Although only about 22 per cent of the area is classified as productive forest, the large, old trees which grow there would have an unusually high commercial value.

Logging the Kitlope Valley would have provoked fierce protests from environmentalists as well as from the aboriginal groups that claim jurisdiction over the area. Disputes over native land claims and logging practices have led to violent confrontations in several BC forests in recent years.

Mr Hank Ketchum, West Fraser's president, said that shareholders would support absorbing the loss from Kitlope. But he said that the case should not be viewed as a precedent.

West Fraser hopes that its gesture will encourage the provincial government to set commercial harvesting targets. The industry has been pressing for such targets, which would provide more certainty on precisely which forests are available to be harvested.

But the BC government has also been under strong pressure from environmental groups to ban logging in areas of old-growth forest, such as Kitlope, and to enforce more environment-friendly tree-cutting practices. A number of European paper buyers have responded to customers' concerns by imposing boycotts on products from British Columbia.

The Kitlope announcement was timed for maximum public relations effect. Queen Elizabeth is at present in British Columbia to open the Commonwealth Games in Victoria later this week. Environmental activists plan to demonstrate against local forestry practices during the games.

Philippines copper/gold unit closes

Atlas Consolidated Mining of the Philippines, which owns one of the biggest copper/gold mines in the Far East, has shut down for four months and laid off 3,000 employees, a union counsel said, Reuter reports from Cebu City.

Mr Pedro Rosito, said management and the union had agreed on this temporary arrangement pending the outcome of talks with Mitsubishi Corporation about a financial rescue package for Atlas.

The company's mine in Toledo in the central province of Cebu was badly damaged by a typhoon late last year.

Last month Atlas signed a deal with 15 local and foreign banks to retire US$104m of debt and $8.0m in interest and penalties. It expects to see a $42.4m gain on its third quarter earnings from the sale of power plants to the Toledo Power Company and the debt settlement.

Atlas said net operating revenues for the six months ended June 30 were $10.3m compared to $38.1m. Net losses for the period were $14.7m against $14.1m.

Atlas B shares are listed on the American Stock Exchange. The company said it did not currently meet the exchange's listing guidelines and was unsure if the listing would be continued.

US partners in Kamchatka gold venture

By Kenneth Gooding

Asarco, the US non-ferrous metals producer, is a member of a joint venture partnership that has made the winning bid to develop a gold mine on the Kamchatka Peninsula in the Russian Far East.

The partners, having bid less than US$1m, expect to spend about $30m to develop a mine that, from about 1997 onwards, will produce 160,000 troy ounces of gold a year.

Asarco and Grynberg Resources of Denver will each have 25 per cent of Kamgold, a company set up for the project. The other half of Kamgold will be held by Kamchatgeologia, a local Russian group.

Kamgold expects to receive a licence from the Russian government in October to begin development of the Aginskoe deposit, located in the southern part of Kamchatka, about 50 miles by road west of Milkova, a town with a population of 12,000.

Asarco says that the deposit contains proven reserves of 1m tonnes of ore containing an average of one ounce of gold per tonne and there is potential for additional reserves.

About 52,000 metres of underground development and 160,000 metres of drilling has already been completed by the Russians.

When completed, the mine will employ 300, most of them locals. It is expected to contribute $17m a year to the local economy.

Kamgold will seek multilateral agency financing for the project.

Mr Richard Osborne, chairman of Asarco, says that his group has been looking for investment opportunities in the Commonwealth of Independent States and other parts of eastern Europe for some time.

MARKET REPORT

Coffee futures weaker

London Commodity Exchange **COFFEE** prices ended weaker in very light volume yesterday after traders liquidated long positions in the absence of any fresh factors.

"We lack any impetus on the upside and, as with other markets, when there is a lack of news it tends to recede," one trader explained.

At the London Metal Exchange **COPPER** led a general afternoon rally, but once morning losses had been erased most contracts ran into resistance.

Markets were still rather thin and, in most cases, fairly light volumes of business were moving prices, traders said. That may have given markets a stronger appearance than was actually the case.

"Copper looked strong in the late morning and early afternoon but it all fizzled out when we hit $2,420 a tonne," one said. "The same happened to aluminium at $1,480 and nickel at $5,700."

PRECIOUS METALS turned easier in the afternoon when follow-through to Tuesday's rally failed to materialise.

Compiled from Reuters

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1448.5-9.5	1478-8.5
Previous	1440.5-1.5	1469-70
High/low	1448	1482/1470
AM Official	1446.5-7.5	1476-7
Kerb close		1478-9
Open int.	271,633	
Total daily turnover	37,197	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1565-70	1570-75
Previous	1555-65	1565-75
High/low	1555	1572
AM Official	1550-60	1565-75
Kerb close		1560-70
Open int.	2,813	
Total daily turnover	563	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	567-8	585-6
Previous	551.5-2.5	573.5-4.0
High/low	558	589/572
AM Official	557.5-8.0	575-6
Kerb close		589-90
Open int.	40,606	
Total daily turnover	6,655	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	5610-15	5700-705
Previous	5565-75	5650-70
High/low	5606	5720/5630
AM Official	5605-6	5690-700
Kerb close		5705-15
Open int.	65,732	
Total daily turnover	16,731	

■ TIN ($ per tonne)

	Cash	3 mths
Close	5185-90	5265-70
Previous	5140-50	5220-30
High/low	5180/5175	5275/5240
AM Official	5170-5	5260-5
Kerb close		5270-75
Open int.	17,119	
Total daily turnover	5,749	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	939.5-40.0	964-65
Previous	941.5-2.5	965-6
High/low	938.5	966/960
AM Official	937.5-8.0	962-2.5
Kerb close		964-5
Open int.	101,090	
Total daily turnover	16,266	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2399.5-401.5	2411-12
Previous	2394.5-6.5	2405.5-6.5
High/low	2388	2420/2395
AM Official	2387.5-8.5	2399-400
Kerb close		2416-7
Open int.	209,710	
Total daily turnover	49,385	

■ LME AM Official £/$ rate: 1.5376

LME Closing £/$ rate: 1.5397

Spot:1.5400 3 mths:1.5380 6 mths:1.5354 9 mths:1.5318

■ HIGH GRADE COPPER (COMEX)

	Close	Day's change	High	low	Open int	Vol
Aug	109.40	+1.25	109.40	109.40	174	36
Sep	109.40	+1.40	110.20	108.15	20,832	4,765
Oct	109.35	+1.30	108.40	108.30	821	6
Nov	109.30	+1.20	-	-	582	5
Dec	109.25	+1.15	109.80	108.20	16,981	2,859
Jan	108.95	+1.15	-	-	378	1
Total					46,853	7,969

PRECIOUS METALS

■ LONDON BULLION MARKET

(Prices supplied by N M Rothschild)

Gold (Troy oz.)	$ price	£ equiv.
Close	377.80-378.10	
Opening	378.00-378.40	
Morning fix	377.80	245.612
Afternoon fix	377.20	245.126
Day's High	378.10-378.40	
Day's Low	377.10-377.40	
Previous close	376.80-377.00	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month ....4.21 6 months 4.49
2 months ....4.23 12 months 4.83
3 months 4.25

Silver Fix	p/troy oz.	US cts equiv.
Spot	333.25	512.75
3 months	337.80	519.00
6 months	342.75	526.75
1 year	354.70	541.00

Gold Coins	$ price	£ equiv.
Krugerrand	383-386	249-252
Maple Leaf	388.05-390.50	
New Sovereign	88-91	57-60

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Aug	377.1	-0.6	378.3	376.6	469	291
Sep	377.9	-0.6	-	-	3	-
Oct	379.4	-0.6	380.5	379.0	10,238	1,014
Dec	382.3	-0.6	383.7	381.8	95,316	29,537
Feb	385.6	-0.7	386.4	385.4	12,551	140
Apr	388.8	-0.8	389.6	389.6	8,243	5
Total					160,298	31,692

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Oct	411.6	-2.8	415.0	409.0	18,000	1,881
Jan	414.8	-2.9	417.0	413.0	3,752	159
Apr	418.0	-2.9	418.5	418.0	1,887	4
Jul	421.0	-2.9	421.0	421.0	450	-
Oct	423.5	-2.9	-	-	103	-
Total					24,192	2,044

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Sep	154.40	-0.25	154.55	154.00	3,690	873
Dec	154.80	-0.25	156.00	154.25	3,452	746
Mar	154.80	+0.25	-	-	243	6
Total					7,385	1,625

■ SILVER COMEX (100 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Aug	511.0	+1.2	-	-	-	-
Sep	511.7	+1.0	513.5	509.5	66,338	17,488
Dec	518.9	+1.0	520.5	516.5	33,980	4,802
Jan	521.2	+1.0	-	-	34	-
Mar	526.6	+1.0	530.0	526.0	7,080	49
May	531.8	+1.0	532.0	532.0	3,930	-
Total					121,890	22,688

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Sep	17.60	-0.09	17.74	17.48	47,812	47,259
Oct	17.71	-0.09	17.85	17.60	78,825	46,752
Nov	17.75	-0.08	17.86	17.68	41,159	13,767
Dec	17.77	-0.08	17.83	17.71	42,504	11,894
Jan	17.78	-0.09	17.83	17.76	27,305	2,585
Feb	17.80	-0.14	17.80	17.77	17,216	2,235
Total					382,257	128,634

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Oct	16.57	-0.03	16.64	16.50	66,225	25,776
Nov	16.62	-0.02	16.71	16.56	16,840	6,130
Dec	16.64	-0.07	16.70	16.57	19,749	4,739
Jan	16.62	-0.11	16.65	16.54	7,981	1,475
Feb	16.62	+0.01	16.62	16.55	5,208	757
Mar	16.59	-0.03	16.63	16.55	4,188	656
Total					126,557	47,980

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Sep	48.60	+0.06	48.90	48.20	27,602	14,285
Oct	49.45	-0.03	49.75	49.35	24,098	9,981
Nov	50.60	+0.07	50.85	50.40	14,907	3,858
Dec	51.80	+0.02	51.80	51.60	32,003	5,807
Jan	52.40	+0.07	52.60	52.35	17,244	2,607
Feb	52.85	+0.22	52.85	52.70	7,008	1,335
Total					148,101	38,781

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	150.00	-2.75	151.00	148.50	28,945	5,901
Oct	153.75	-2.50	154.50	153.25	20,345	3,282
Nov	156.50	-2.00	158.75	156.50	11,956	1,868
Dec	158.25	-2.25	158.75	157.50	15,204	1,115
Jan	160.00	-2.00	160.00	159.75	9,851	639
Feb	160.50	-2.00	160.75	160.00	3,478	623
Total					98,598	14,126

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu.)

	Latest price	Day's change	High	Low	Open int	Vol
Sep	1.834	+0.044	1.845	1.780	18,393	20,961
Oct	1.905	+0.045	1.920	1.860	28,061	11,312
Nov	2.050	+0.016	2.070	2.040	11,843	1,747
Dec	2.212	+0.017	2.220	2.210	19,416	1,165
Jan	2.220	+0.014	2.230	2.210	12,359	237
Feb	2.150	+0.017	2.155	2.150	8,061	345
Total					139,880	37,137

■ UNLEADED GASOLINE

NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Sep	55.30	+0.38	55.65	54.25	29,882	15,109
Oct	52.00	+0.17	52.35	51.60	19,818	9,149
Nov	50.15	-0.11	50.35	49.90	12,635	2,941
Dec	55.80	-0.17	56.10	55.80	7,889	759
Jan	54.80	+0.03	54.90	54.30	3,402	383
Feb	54.30	+0.15	54.30	54.30	2,181	154
Total					75,907	28,475

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	104.60	-0.30	104.60	104.60	399	10
Nov	105.25	-0.40	105.25	104.90	2,339	292
Jan	107.20	-0.35	107.20	106.90	1,848	77
Mar	109.15	-0.30	109.15	108.90	841	148
May	110.90	-0.45	110.95	110.75	1,119	21
Jul	113.00	-	-	-	157	-
Total					6,703	548

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	349/2	-1/0	349/4	347/0	12,905	3,465
Dec	364/4	-1/2	365/4	362/2	38,458	15,885
Mar	372/4	-0/6	373/2	369/4	11,408	2,758
May	366/4	-	367/0	363/4	893	275
Jul	345/6	-	346/0	344/0	1,463	394
Dec	357/4	+0/6	357/4	355/0	2	-
Total					66,129	22,777

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	220/6	+1/6	221/0	218/4	32,025	6,420
Dec	223/6	+2/4	224/4	220/4	122,121	10,250
Mar	232/6	+2/2	233/2	229/4	26,198	1,265
May	238/6	+2/2	239/2	236/0	10,680	680
Jul	243/2	+2/0	243/4	240/2	11,922	439
Sep	245/0	+2/0	245/2	242/6	787	63
Total					207,120	19,240

■ BARLEY LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	103.75	-0.65	-	-	140	-
Nov	105.00	-0.25	105.00	104.70	465	16
Jan	106.10	-0.20	106.10	105.70	203	25
Mar	108.00	-0.65	108.00	107.90	27	2
May	109.75	-	-	-	1	-
Total					836	43

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Aug	591/0	+7/6	592/4	582/4	4,174	886
Sep	574/2	+6/2	575/4	566/4	14,074	1,500
Nov	565/6	+6/6	567/2	557/4	75,626	13,377
Jan	574/4	+6/6	575/6	566/6	12,431	1,222
Mar	584/0	+7/2	584/4	575/6	4,684	657
May	590/4	+7/4	591/0	582/4	3,279	123
Total					122,288	18,116

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Open int	Vol
Aug	24.35	+0.18	24.40	24.10	3,292	1,791
Sep	24.27	+0.20	24.34	23.94	18,903	3,236
Oct	24.12	+0.16	24.22	23.88	11,229	1,155
Dec	23.97	+0.13	24.08	23.71	33,084	3,958
Jan	23.97	+0.13	24.05	23.75	6,294	940
Mar	23.96	+0.10	24.05	23.75	5,701	271
Total					83,446	12,112

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Open int	Vol
Aug	176.9	+2.8	177.0	173.8	1,868	321
Sep	175.2	+2.5	175.4	172.3	20,235	1,236
Oct	174.1	+2.4	174.2	171.1	15,386	864
Dec	174.4	+2.3	174.9	171.7	34,609	2,834
Jan	175.2	+2.1	175.5	172.5	4,933	126
Mar	177.0	+2.2	177.2	174.5	5,356	226
Total					88,418	5,959

■ POTATOES LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Nov	150.0	-	-	-	-	-
Mar	105.0	-	-	-	-	-
Apr	207.5	+9.4	212.0	200.0	1,239	175
May	210.5	-	-	-	-	-
Jun	107.5	-	-	-	-	-
Total					1,239	175

■ FREIGHT (BIFFEX) LCE ($10/index point)

	Sett price	Day's change	High	Low	Open int	Vol
Aug	1485	+7	1485	1476	596	42
Sep	1433	+6	1433	1422	632	37
Oct	1434	+6	1434	1426	716	26
Jan	1450	-	1450	1450	388	1
Apr	1470	-5	1475	1469	122	30
Jul	1303	-3	-	-	60	-
Total					2,844	136

	Close	Prev
BFI	1502	1505

Cotton

Liverpool- Spot and shipment sales amounted to 193 tonnes for the week ended 12 August against 290 tonnes in the previous week. Subdued offtake did not bring many operations. Support was forthcoming in certain specialist styles notably in the Central Asian range. American growths made some headway.

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	1057	-8	1073	1057	13,888	2,403
Dec	1079	-10	1099	1079	27,079	2,178
Mar	1098	-13	1118	1093	31,177	411
May	1108	-9	1128	1109	11,130	775
Jul	1116	-8	-	-	4,368	-
Sep	1123	-8	1123	1124	8,609	24
Total					104,783	6,208

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	1395	-37	1431	1385	5,702	6,520
Dec	1449	-39	1487	1445	38,004	9,773
Mar	1487	-34	1517	1482	10,897	681
May	1511	-30	1536	1504	3,182	81
Jul	1535	-26	-	-	2,425	25
Sep	1555	-26	1560	1560	1,247	-
Total					67,873	17,297

■ COCOA (ICCO) (SDR's/tonne)

Aug 16	Price	Prev. day
Daily	1104.09	1082.42

■ COFFEE LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	3404	-89	3505	3390	11,669	1,172
Nov	3366	-75	3455	3360	10,574	1,875
Jan	3331	-92	3425	3330	10,628	963
Mar	3303	-85	3388	3315	5,175	193
May	3283	-85	3370	3370	1,251	20
Jul	3278	-82	-	-	28	-
Total					39,325q	4,203

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	179.45	12.50	190.25	178.50	6,927	2,379
Dec	184.75	12.25	195.70	183.50	17,843	5,202
Mar	193.50	-6.00	198.25	193.50	5,644	1,159
May	194.00	-6.00	197.25	194.00	2,491	748
Jul	194.75	-6.00	198.75	196.75	433	17
Sep	195.25	-6.00	200.25	197.50	123	4
Total					33,472	9,720

■ COFFEE (ICO) (US cents/pound)

Aug 16	Price	Prev. day
Comp. daily	179.67	179.85
15 day average	180.94	181.41

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Oct	12.10	-0.05	-	-	1,801	-
Jan	11.82	-	-	-	-	-
Mar	11.59	-0.02	-	-	90	-
Total					1,891	-

■ WHITE SUGAR LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Oct	316.70	-1.30	318.00	316.50	10,417	605
Dec	313.00	-1.80	314.30	313.20	1,299	314
Mar	313.60	-1.50	314.30	313.40	4,767	322
May	313.40	-1.50	-	-	421	-
Aug	315.30	-1.10	-	-	391	-
Oct	301.80	-1.10	-	-	186	-
Total					17,481	1,241

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Oct	11.85	-0.04	11.98	11.84	59,446	7,414
Mar	11.82	-0.03	11.90	11.80	40,440	3,859
May	11.78	-0.01	11.85	11.74	8,310	1,342
Jul	11.71	-0.01	11.75	11.70	3,637	678
Oct	11.58	+0.01	11.60	11.54	1,579	-
Mar	11.20	-	11.25	11.20	217	18
Total					114,634	13,311

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Oct	67.45	-0.54	69.00	68.40	5,401	1,003
Dec	67.53	+0.91	67.80	66.95	27,818	11,321
Mar	68.80	+0.75	68.85	68.35	8,288	3,103
May	69.74	+0.89	69.70	68.75	4,531	878
Jul	70.42	+0.79	70.55	70.30	3,158	291
Oct	69.00	+0.05	69.05	68.95	421	4
Total					50,848	16,680

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	93.60	+1.05	94.40	93.10	8,380	1,267
Nov	97.10	+1.00	98.00	97.00	5,508	977
Jan	101.00	+1.30	102.00	100.75	4,243	240
Mar	104.10	+1.05	105.10	104.90	2,508	126
May	107.10	+0.80	107.90	107.90	858	-
Jul	109.10	+0.55	110.00	110.00	233	1
Total					22,024	2,611

VOLUME DATA

Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

Aug 17	Aug 16	month ago	year ago
2072.3	2068.7	2156.1	1645.4

■ CRB Futures (Base: 1967=100)

Aug 16	Aug 15	month ago	year ago
229.17	228.44	234.20	213.86

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Aug	68.875	-	69.325	68.650	5,738	2,704
Oct	71.675	-	72.100	71.550	32,472	10,688
Dec	70.175	+0.125	70.525	70.075	14,805	3,922
Feb	69.450	+0.100	69.600	69.400	10,100	798
Apr	70.950	+0.175	71.050	70.875	6,201	592
Jun	67.900	+0.225	68.050	67.850	1,522	43
Total					10,980	2,397

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Aug	45.475	+0.175	45.950	45.450	1,179	468
Oct	40.275	+0.275	40.700	40.150	12,277	3,185
Dec	40.225	+0.350	40.550	40.100	7,131	2,050
Feb	40.275	-0.025	40.850	40.250	1,981	293
Apr	39.600	-	39.950	39.600	1,351	231
Jun	44.550	+0.075	44.725	44.525	483	17
Total					24,687	6,273

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Aug	30.400	-0.150	32.450	30.375	341	155
Feb	41.700	-1.425	43.700	41.300	6,968	2,185
Mar	41.875	-0.800	43.500	41.875	355	248
May	42.000	-1.325	44.000	42.000	58	12
Jul	43.000	-1.700	44.900	43.000	95	26
Aug	44.375	-0.025	44.375	44.375	14	2
Total					7,831	2,824

LONDON TRADED OPTIONS

Strike price $ tonne	Calls		Puts	
■ ALUMINIUM (99.7%) LME	Oct	Jan	Oct	Jan
1425	67	106	23	41
1450	52	92	33	51
1475	40	78	45	62
■ COPPER (Grade A) LME	Oct	Jan	Oct	Jan
2350	107	132	34	79
2400	77	108	54	102
2450	53	84	86	129
■ COFFEE LCE	Sep	Nov	Sep	Nov
3250	156	328	2	212
3300	110	302	6	236
3350	71	276	17	262
■ COCOA LCE	Sep	Dec	Sep	Dec
1000	57	117	-	38
1050	11	88	4	59
1100	-	65	43	86
■ BRENT CRUDE IPE	Oct	Nov	Oct	Nov
1700	18	46	6	-
1750	11	32	-	-
1800	6	20	-	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Oct)

		+or-
Dubai	$15.64-5.69t	-0.265
Brent Blend (dated)	$16.27-6.32	-0.365
Brent Blend (Oct)	$16.81-6.82	-0.245
W.T.I. (1pm est)	$17.95-7.98t	-0.300

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$206-207	-2
Gas Oil	$150-153	-3
Heavy Fuel Oil	$84-85	-1.5
Naphtha	$159-161	-2
Jet fuel	$166-167	-3

Petroleum Argus assessments

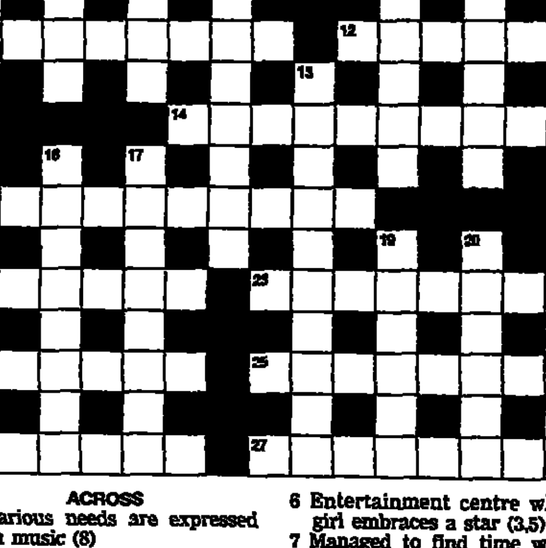
■ OTHER

Gold (per troy oz)♣	$377.95	+1.15
Silver (per troy oz)♣	512.5c	+4.0
Platinum (per troy oz.)	$411.75	+1.35
Palladium (per troy oz.)	$152.60	+0.35
Copper (US prod.)	113.0c	
Lead (US prod.)	37.75c	
Tin (Kuala Lumpur)	13.22m	+0.02
Tin (New York)	242.5c	+2.0
Cattle (live weight)†©	120.35p	+0.33*
Sheep (live weight)†♠©	88.50p	-4.41*
Pigs (live weight)©	78.44p	+5.37*
Lon. day sugar (raw)	$305.9	+1.8
Lon. day sugar (wte)	$345.0	+1.0
Tate & Lyle export	£312.0	+2.0
Barley (Eng. feed)	£105.5	
Maize (US No3 Yellow)	$142.5	
Wheat (US Dark North)	£160.0	
Rubber (Sep)♥	87.75p	+1.00
Rubber (Oct)♥	86.75p	+1.00
Rubber KL RSS No1 Aug	323.00m	+0.50
Coconut Oil (Phil)§	$586.0z	+6.0
Palm Oil (Malay.)§	$557.5w	-7.5
Copra (Phil)§	$397	
Soyabeans (US)	£187	
Cotton Outlook 'A' Index	74.90c	-0.20
Wooltops (64s Super)	444p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. t Oct. z Sep/Oct. w Sep . ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. ♠ Sheep (Live weight prices). * Change on week. © Prices are for previous day.

CROSSWORD

No.8,535 Set by DANTE



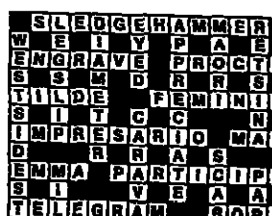
ACROSS

1 Various needs are expressed in music (8)
5 They may be called steep cliffs (6)
9 Punish a child just a little for being careless (8)
10 Back a trial bearing on African fly (6)
11 That many were treated badly was important (8)
12 Command to ransack Thebes (6)
14 Hostelry getting approval for modernisation (10)
18 Executive recruitment agent seeking a school principal? (4-6)
22 To tear round or just go round (6)
23 Assigns to a berth in stormy seas (8)
24 Three of them make a quarter (6)
25 It causes trouble as an item of luggage (8)
26 Sun-worshippers take off for this state (6)
27 Small streets around French city not lit at night (8)

DOWN

1 A plant Sam has to look out for (6)
2 Land in America (6)
3 Gave a positive indication (6)
4 Making out, being clever (10)
6 Entertainment centre where girl embraces a star (3,5)
7 Managed to find time which suited nicely (6,2)
8 Going into liquidation when working hard? (8)
13 Almost sure to make a turnover (10)
15 Philby's fielding position? (5,3)
16 Travelled in a hurry from the Andes (8)
17 Gossip from spiteful female about a jerk (8)
19 A speaker returning brief thanks amid golden words (6)
20 Grind a new bread (6)
21 Fool holding company capital (6)

Solution 8,534



JOTTER PAD

LONDON STOCK EXCHANGE

MARKET REPORT

Equities surge after excellent inflation news

By Steve Thompson

Much better than expected economic news, principally on inflation trends in the UK, coupled with widespread relief in international markets that the US Federal Reserve had at last moved to increase interest rates, triggered a burst of strength on the London stock market.

The FT-SE 100 Index, which has struggled to penetrate the 3,170 level since the start of the month, moved into overdrive yesterday, piercing the 3,170 short term resistance level and closing a net 43.0 higher at 3,190.3. The market's second tier index, the FT-SE Mid 250, was less impressive but still managed to record a 26.6 gain at 3,741.7.

And dealers said the UK market was set fair to launch a determined challenge on the Footsie 3,200 level as the institutions digested the raft of excellent news on the UK economy.

Adding to a generally buoyant mood across the market was a sharp increase in turnover in London equities. Volume jumped to 771.9m shares, with non-FT-SE 100 stocks accounting for only 50 per cent of the total, indicating that the big international instititutions had moved in to buy the leading stocks. The value of customer business in London is expected to easily surpass the £1.2bn figure recorded on Tuesday. "There has been some seriously good business transacted in the market today," said the head trader at one of the UK integrated trading houses.

Senior marketmakers were impressed with London's resilience to pockets of profit-taking, triggered by some hefty bouts of selling pressure in international bond markets where gilts ended an extremely volatile session with gains of around 10 ticks, having been up almost 1¼ points early in the session.

"The equity market feels good; it has taken everything the market has thrown at it and is still only five points off the day's high; we should be okay tomorrow, but I would expect to see further profit-taking," was the view of one marketmaker.

The market was braced for a strong start to the trading session after the move by the US Federal Reserve, late on Tuesday, to increase its Federal Funds rate and the discount rate each by 50 basis points, a move which European markets had mostly factored in.

What impressed UK traders was Wall Street's overnight reaction to the move by the Fed and, more so, the response of US bonds, which raced ahead on the news.

The FT-SE 100 kicked off more than 20 points higher and thereafter moved progressively forward, with the market extremely happy with the raft of good news on the UK economy.

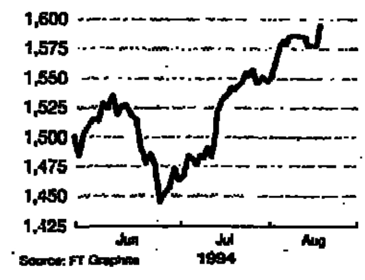
The negative inflation figure for July, which showed a 0.5 per cent decline, its biggest ever monthly fall, was much better than even the most optimistic strategists had hoped for. "The RPI figure beat best expectations by a long way," said Mr Steve Wright at BZW. "It is very good news for equities."

Mr Roger Barker, equity market strategist at UBS, described the inflation result as a "positive surprise" but, in keeping with UBS's cautious stance on UK equities, said: "The market is running to the limits of its upside; fair value is around 3,000; on fundamentals we cannot see it going much higher."

A slightly disappointing performance by Wall Street at the opening yesterday took some of the shine off London's performance, but a general mood of quiet optimism was evident around the City's trading desks. The Dow Industrial Average was down almost eights points two hours after London closed.

All eyes in Europe are now focused on the German Bundesbank, which meets today to formulate monetary policy. Super-optimists are hoping for a reduction in German rates, but the more cautious expect the Bundesbank council to hold fire until next month.

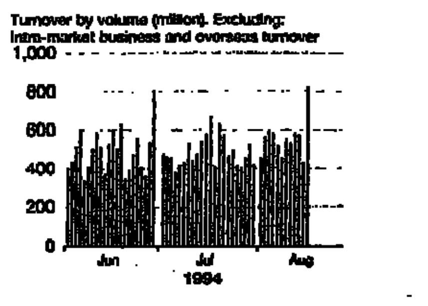
FT-SE-A All-Share Index



Source: FT Graphite

Equity Shares Traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



■ Key Indicators

Indices and ratios

FT-SE 100	3190.3	+43.0	FT Ordinary Index	2497.5	+23.0
FT-SE Mid 250	3741.7	+26.6	FT-SE-A Non Fins p/e	20.13	(19.92)
FT-SE-A 350	1609.6	+19.4	FT-SE 100 Fut Sep	3207.0	+54.0
FT-SE-A All-Share	1596.52	+18.22	10 yr Gilt yield	8.65	(8.68)
FT-SE-A All-Share yield	3.74	(3.78)	Long gilt/equity yld ratio:	2.32	(2.31)

Best performing sectors

1 Banks ... +2.9
2 Electricity ... +2.8
3 Pharmaceuticals ... +2.0
4 Utilities ... +2.0
5 Telecommunications ... +2.0

Worst performing sectors

1 Engineering, Vehicles ... -0.4
2 Oil, Integrated ... -0.1
3 Mineral Extraction ... +0.0
4 Oil Exploration ... +0.1
5 Building & Const ... +0.1

Warrant underpins C&W rise

The bullish mood surrounding Cable and Wireless continued, with BZW issuing 25m call warrants on the non-Hong Kong rump of the shares. The warrants are designed to facilitate arbitraging between C&W and Hong Kong Telecom, in which C&W has a 57.5 per cent stake.

According to BZW, C&W's market capitalisation without HK Telecom is £900,000, but it estimates that the non-Hong Kong business is worth £3.6bn. The broker believes the apparent 75 per cent discount could narrow to 25 per cent. The warrants, which expire in one year, were issued at 105p each and closed at 112p yesterday.

C&W shares, inspired by some other recent positive moves by brokers, advanced 10 to 448p. Hoare Govett reiterated its strong buy stance on Tuesday, pointing out C&W's exposure to the Chinese cellular telecoms market. C&W's rise came amid a strong performance from the rest of the telecoms sector, with BT partly-paid gaining 4½ at 260p and Vodafone 9½ at 195½p.

P&O firm

Rumours of a profits upgrade in transport and property group P&O sent the shares 12 ahead to 702p in trading volume of 4.6m.

The talk suggested that a leading broker was about to raise its full-year profits estimate to match BZW's top of the range £375m prediction. However, none of the names cited as possible candidates for the upgrade would confirm such a move.

Sentiment in the stock was further lifted by reports of a Smith New Court recommendation, and a favourable outlook for container shipping from P&O's Dutch rival Nedlloyd. The group reported disappointing interims but suggested stable rates and growing volumes on its north Atlantic and Far East routes on which it competes with P&O.

Telegraph hint

A whiff of speculation in the market suggested that Mr Conrad Black, the newspaper entrepreneur and proprietor of the Telegraph, may have embarked on his threatened move to buy in shares of the company. Mr Black retains a 57 per cent stake in the Telegraph, via his Hollinger company.

Telegraph shares retreated from a record 620p in May this year, to a low of 332p, after Mr Black's Hollinger group sold a block of 12.5m shares at 587p and the Telegraph chopped its cover price from 48p to 30p in an effort to maintain its pre-eminent position in the quality end of the newspaper market. In the resulting controversy over the share sale and the price cut, Cazenove resigned as broker to the Telegraph.

The shares plunged around 35 per cent the day after the price cut news hit the market. The stock price edged up 5 to 361p yesterday on turnover of 303,000 shares, having topped 500,000 shares earlier this week.

Heavy turnover was again being recorded in GEC as the two-way bid speculation refused to die down. Volume reached 15m shares by the close and the stock advanced a sprightly 8 to 300p.

Market chatter was full of the same stories which have been swirling around the stock for several sessions now. Potential British predators BTR and Hanson were being joined by Alcatel, Siemens and General Electric from abroad. BTR shares climbed 8 to 384p and Hanson slipped 3 to 261p.

There was also speculation that the cash-rich defence and electronics group was considering spending its estimated £2.8bn cash pile – either with a big acquisition or by buying back its shares.

A decline in crude oil prices impacted on the oil majors, excluding them from the general market upsurge.

The worst performer in oils was again Enterprise Oil, which lost 5 more at 398p in heavier than usual turnover of 2.1m. The recent sell story from NatWest Securities was again seen as driving the stock lower, but dealers reported a general feeling that the shares remain "unloved" by most of the big domestic institutions. Some large lines of stock, reflecting the sale of a block of 1m shares, were said to be still overhanging the market.

Lasmo added 3 at 157p after the drilling success in Algeria, while news of a 4,300 barrels a day oil strike in the North Sea boosted British Borneo, 2 firmer at 221p, and Seafield Resources, which raced forward 9 to 63p.

The regional electricity stocks (recs) scored some strong gains as the lull in the post-Offer buying spree appeared to be over. NatWest Securities underlined the positive mood by raising its 1994-95 dividend growth forecast for the recs from 10 per cent to 15 per cent. South West Electricity forged ahead 21 to 727p and Northern 20 to 742p.

A squeeze among the generators sent National Power running up 18½ to 501½p and PowerGen 26 to 581p. There was talk that one US securities house was bringing out a positive note on the stocks in the next few days.

Banking shares were in favour following the US increase in interest rates. Those that stood out included National Westminster, which advanced 18 to 479p, and Barclays, 15 better at 560p on good volume of 4m.

A clutch of brokers' recommendations together with general bargain hunting helped HSBC Holdings rise out of the doldrums that followed the release of Monday's half-year figures. The shares rallied 17 to 734p in strong trade of 7.1m. James Capel, Nikko Securities and Lehman Brothers favour the stock.

There was more interest in the brewers, with dealers reporting some heavy trades amid continuing investor buying interest. Vaux, the Sunderland-based brewer, climbed 9 to 250p on a hefty 2m traded. Boddington, due to report results early next month, advanced 11 to 281p, while Greenalls added 10 at 450p and Greene King gained 3 at 499p. A big buyer of Whitbread helped the shares jump 18 to 575p on 2.4m dealt.

There was also big turnover in Guinness as the shares moved up 8 to 469p. Volume reached 10m, with dealers reporting, as last week, Salomon Brothers unwinding what appeared to be a large order.

Media conglomerate Pearson strengthened 21 to 645p, which dealers put down to a technical bounce, rather than reports of BSkyB's success in obtaining some rights to screen English cricket matches. Pearson has a 17.5 per cent stake in BSkyB.

United Newspapers rose 11 to 518p. The company said its Express Newspapers subsidiary had bought a picture library operator for £27m.

MARKET REPORTERS:
Steve Thompson,
Christopher Price,
Joel Kibazo, Saqib Qureshi.

■ Other statistics, Page 17

NEW HIGHS AND LOWS FOR 1994

NEW HIGHS (64).

BREWERIES (1) Holt (J.), BLDG MATLS & MCHTS (2) Halstead (J.), Johnston, CHEMICALS (1) MTM, DISTRIBUTORS (5) Adam & Harvey, Brammer, Nightfreight, Northamber, Wilshaw, DIVERSIFIED INDLS (1) Sime Darby, ELECTRNC & ELECT EQUIP (5) Dewhurst 'A', Philips Elects, Pifco, Do. A, Thorpe (F.W.), ENGINEERING (2) Kobe Steel, Ransomes, ENG. VEHICLES (1) Trinity, EXTRACTIVE INDS (7) FOOD MANUF (2) Barr (A.G.), Williamson, HEALTH CARE (1) Baxter, INVESTMENT TRUSTS (18) INVESTMENT COMPANIES (1) World Tst Fd Wts, OIL EXPLORATION & PROD (3) Bow Valley, Dominion Energy, Seafield Res, OTHER SERVS & BUSNS (1) Applied Holographics, PHARMACEUTICALS (2) SmithKline Beecham A, Wellcome, RETAILERS, GENERAL (6) Ewm, French Connection, Next, Oliver, Vendome Luxury Uts, SPIRITS, WINES & CIDERS (1) Macallan-Glenlivet, SUPPORT SERVS (2) Page (M), Reed Exec, TEXTILES & APPAREL (1) Bullers, TRANSPORT (1) All Nippon Airways, AMERICANS (1) Amer Cyanamid.

NEW LOWS (32).

BANKS (1) Ottomana, BREWERIES (1) Fuller S.T.A., BUILDING & CNSTRN (1) Eve, BLDG MATLS & MCHTS (1) Albrighton, CHEMICALS (1) Wellington, DISTRIBUTORS (2) Lex Service, Litho Supplies, ENGINEERING (3) Beckenham, Clyde Blowers, Eadie, FOOD MANUF (2) Canadian Pizza, Usborne, INSURANCE (1) Skandia, INVESTMENT TRUSTS (2) Gartmore Shared Eq Zero Dv Pf, Israel Fd Wnts, LEISURE & HOTELS (3) Airtours Cv Pf, CentreGold, Friam, MEDIA (1) Harrington Kilbride, OIL EXPLORATION & PROD (1) Hardy Oil & Gas, OTHER FINANCIAL (2) Berry, Birch & Noble, Finansieringsselskabet, OTHER SERVS & BUSNS (1) Brit. Bloodstock, PHARMACEUTICALS (1) Cantab Pharms., PRTNG, PAPER & PACKG (1) Ferguson, PROPERTY (2) Brightstone, Stewart & Wight, RETAILERS, GENERAL (2) Pentos, Rosebys, SUPPORT SERVS (1) ISS-Int Serv Sys B, TEXTILES & APPAREL (1) Dinkie Heel, AMERICANS (1) Malvy Tech.

EQUITY FUTURES AND OPTIONS TRADING

Stock index futures traded around the 3,200 September Footsie level for most of the day as dealers responded to strong UK economic data and the move on US interest rates, *writes Joel Kibazo.*

Buyers of the September contract on the FT-SE 100 were seen at the outset as dealers reacted with relief that the US Federal Reserve Board had lifted rates by a decisive ½ percentage point. Within the first half an hour, the contract was trading 20 points ahead.

But it was the release of better than expected figures on UK inflation and unemployment that sent September sharply ahead to break through 3,200. Goldman Sachs was reported to have been among the main buyers in the market, although rumours of independent traders (locals) being short helped underpin the rise.

Dealers said good selling at the higher levels was well absorbed and there was good arbitrage activity particularly later in the session.

September hit a high of 3,220 but relinquished some of the earlier gains in concerted profit taking towards the close. It finished at 3,207, up 55 on its previous close, and around 6 points above its fair value premium to cash of about 10 points. Volume jumped to 18,767 lots.

In traded options, volume at 46,550 was more than double that of Tuesday. The FT-SE 100 option traded 16,332 lots.

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	3173.0	3207.0	+54.0	3220.0	3172.0	15767	56363
Dec	3220.0	3221.0	+54.5	3222.0	3214.0	336	4123
Mar		3241.0	+54.5				0

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	3747.0	3757.0	+24.0	3760.0	3747.0	50	4455

■ FT-SE MID 250 INDEX FUTURES (OMLX) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	-	3757.0					336

All open interest figures are for previous day. † Exact volume shown.

■ FT-SE 100 INDEX OPTION (LIFFE) (*3189) £10 per full index point

[illegible]

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

[illegible]

■ EURO STYLE FT-SE MID 250 INDEX OPTION (OMLX) £10 per full index point

[illegible]

TRADING VOLUME

■ **Major Stocks Yesterday**

	Vol. 000s	Closing price	Day's change
ASDA Group†	15,000	63	
Abbey National†	4,600	396	+8
Albert Fisher	4,000	49	-2
Allied-Lyons†	3,000	599	+7
Anglian Water	2,100	550	+1
Argos	411	383	+3
Argyll Group†	6,500	278	+5
Arjo Wiggins†	2,300	276	-5
Assoc. Brit. Foods†	420	586	+1
[illegible]	[illegible]	[illegible]	[illegible]

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down. † Indicates an FT-SE 100 index constituent.

FT - SE Actuaries Share Indices — The UK Series

[illegible]

■ **FT-SE Actuaries All-Share**

[illegible]

■ **Hourly movements**

[illegible]

■ **FT-SE Actuaries 350 Industry baskets**

[illegible]

LONDON EQUITIES

LIFFE EQUITY OPTIONS

Option		Calls Oct	Calls Jan	Calls Apr	Puts Oct	Puts Jan	Puts Apr
Allied-Lyons	550	31	-	-	17	-	-
(*597)	638	10½	-	-	47½	-	-
Argyll	260	28	32½	29	6	11	16½
(*277)	280	14	21½	23	15	20½	26½
ASDA	60	8½	9	10½	3½	5½	6½
[illegible]							

Option		Calls Nov	Calls Feb	Calls May	Puts Nov	Puts Feb	Puts May
Hanson	260	13	17½	21	12½	17½	21
(*261)	280	5½	9½	13½	26	30½	33
Lasmo	154	14	-	-	9½	-	-
(*157)	180	6½	8½	12½	29	29½	31
Lucas Inds	180	24½	27	29½	7	10	13
[illegible]							

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	64	1	5
Other Fixed Interest	0	1	14
Mineral Extraction	61	57	82
General Manufacturers	173	79	394
Consumer Goods	67	22	98
Services	125	54	327
Utilities	34	3	8
Financials	142	37	189
Investment Trusts	272	7	188
Others	61	29	39
Totals	999	290	1344

Data based on those companies listed on the London Share Service.

TRADITIONAL OPTIONS

First Dealings	August 8	Expiry	November 10
Last Dealings	August 19	Settlement	November 24

Calls: Ald. Irish Bk., Aminex, Anglo Pacific, Bk Ireland, Bluebird Toys, BTR, Bullers, Guinness, Tullow Oil. Puts: Ald. Irish Bk., Bk Ireland, BTR, Bullers, Guinness, Tullow Oil. Puts & Calls: Glaxo, Tullow Oil, Wellcome

LONDON RECENT ISSUES: EQUITIES

[illegible]

RIGHTS OFFERS

[illegible]

FINANCIAL TIMES EQUITY INDICES

[illegible]

FT GOLD MINES INDEX

[illegible]

LONDON SHARE SERVICE

BANKS

[illegible]

BREWERIES

[illegible]

BUILDING & CONSTRUCTION

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

CHEMICALS

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ELECTRONIC & ELECTRICAL EQPT - Cont.

[illegible]

ENGINEERING

[illegible]

ENGINEERING, VEHICLES

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

FOOD MANUFACTURERS

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HEALTH CARE - Cont.

[illegible]

HOUSEHOLD GOODS

[illegible]

INSURANCE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

هكذا من الاصل

هكذا في الأصل

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

LEISURE & HOTELS - Cont.

OIL, INTEGRATED

PROPERTY - Cont.

SPIRITS, WINES & CIDERS

TRANSPORT - Cont.

SUPPORT SERVICES

WATER

OTHER FINANCIAL

AMERICANS

LIFE ASSURANCE

MEDIA

OTHER SERVICES & BUSINESSES

CANADIANS

Toronto-Dom	9	+1/8	11¼	9	2,988	3.8	
Trans Can Pipe ♥	7	−1/8	10½	7	1,443	5.0	

TELECOMMUNICATIONS

OTHER INVESTMENT TRUSTS

TEXTILES & APPAREL

RETAILERS, FOOD

PHARMACEUTICALS

SOUTH AFRICANS

	Notes	Price	+ or −	1994 high	1994 low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£27	—	£27½	£13½	1,760	2.7	19.7
Barlow	Z	84	—	£5	£3	982.2	0.7	–
Gold Flds Prop R.		111	—	113	78	11.3	8.5	Φ
MK Props.		85	—	95	85	3.42	10.5	34.9
SASOL	♥	438	—	438	280	2,489	3.2	–
SA Brews		£12	—	£15	£10	3,463	2.2	20.4
Tiger Oats	†	620	—	638	538	932.3	2.5	13.1
Tongaat-Hulett		683	—	*739¼	427½	893.5	2.3	18.5

INVESTMENT COMPANIES

MERCHANT BANKS

PRINTING, PAPER & PACKAGING

RETAILERS, GENERAL

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm −) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- • Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- Φ Figures or report awaited

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AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

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OTHER UK UNIT TRUSTS

INSURANCES

FT MANAGED FUNDS SERVICE

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	Bid Price	Offer Price	+ or -	Yield Gross
Scottish Mutual Assurance plc - Contd.				
North American Fund	234.8	248.9	+1.80	–
International Fund	294.7	310.3	+1.70	–
Gilts & Fxd Int Fund	191.6	201.7	+1.30	–
Index-Linked Fund	175.1	184.4	+0.50	–
Property Fund	132.7	139.7	+0.10	–
Cash Fund	172.9	182.1	–	–
Pens Safety Fnd	275.0	289.5	+2.10	–
Pens Growth Fnd	250.0	263.2	+2.40	–
Pens Opportunity Fnd	251.8	265.1	+2.40	–
Pens W'wide Venture Fnd	198.5	209.0	+1.70	–
Pens UK Equity Fnd	245.1	258.1	+3.00	–
Pens UK Smlr Co's Fnd	207.1	218.1	+1.30	–
Pens European Fnd	327.9	345.2	+0.10	–
Pens Far East Fnd	437.2	460.3	+5.20	–
Pens Japanese Fnd	149.4	157.3	+1.30	–
Pens Nth American Fnd	298.4	314.2	+2.00	–
Pens International Fnd	307.8	324.1	+2.30	–
Pens Gilts/Fxd Int Fnd	229.8	241.9	+1.70	–
Pens Index-linked Fnd	181.1	190.7	+0.80	–
Pens Property Fnd	147.9	155.7	+0.10	–
Pens Cash Fund	214.9	226.3	+0.10	–
Pens Halifax Fnd	231.0	243.2	+0.10	–
Scottish Provident Group				
6 St Andrew Sq, Edinburgh				031-556 2852
Scottish Provident Institution Funds				
Life Funds				
With-Profits	113.0	119.0		–
Managed	269.6	283.9	+1.4	–
Blue Chip	145.0	152.7	+1.6	–
Equity	279.2	294.0	+1.4	–
International	297.8	313.5	+1.4	–
Property	224.2	248.7	–	–
Fixed Interest	208.9	220.0	-0.1	–
Index-linked	173.6	182.8	+0.5	–
Cash	185.3	195.2	–	–
Money Manager	122.0	128.5	–	–
American Performance	165.3	174.1	+0.5	–
Europe Performance	132.3	139.3	+0.7	–
Far East Performance	141.5	149.0	+1.3	–
Worldwide Performance	155.3	163.6	+1.3	–
Pension Funds				
With-Profits Ord	214.1	225.4	+0.1	–
Managed Ord	337.9	356.7	+2.1	–
Blue Chip Ord	153.3	161.5	+2.0	–
Equity Ord	354.8	373.6	+2.0	–
International Ord	372.8	392.5	+3.4	–
Property Ord	300.2	316.1	–	–
Fixed Interest Ord	293.6	309.1	-0.3	–
Index-linked Ord	191.8	201.7	+0.8	–
Cash Ord	260.2	274.0	–	–

	Bid Price	Offer Price	+ or -	Yield Gross
Sun Alliance Group - Contd.				
Property Growth Pension Funds				
Managed (Acc)	1174.8		+6.6	–
Managed (Cap)	824.2		+4.3	–
Building Society (Acc)	858.9		+0.2	–
Building Society (Cap)	485.0		–	–
Conv Stkng Soc (Acc)	903.2		+0.1	–
Conv Stkng Soc (Cap)	451.4		–	–
Equity (Acc)	953.2		+8.8	–
Equity (Cap)	569.5		+3.9	–
Gilt Edged (Acc)	463.8		+4.8	–
Gilt Edged (Cap)	277.5		+2.8	–
International (Acc)	370.8		+2.8	–
International (Cap)	224.9		+1.7	–
Property (Acc)	727.8		+0.2	–
Property (Cap)	376.2		–	–
Pension Fund Units	810.9		+0.1	–
Immediate Annuity	329.0		–	–
Retirement Annuity	1238.8		–	–
Sun Life Unit Assurance Ltd				
St James Barton, Bristol BS99 7SL				0272 426911
Managed Acc.	912.0	960.0	+7.1	–
Property Acc.	335.8	353.4	-0.8	–
Equity Acc.	1457.7	1534.5	+16.1	–
Fixed Interest Acc.	381.0	401.1	+4.9	–
Cash Acc.	306.5	322.7	–	–
International Acc.	614.7	647.1	+1.6	–
Distribution	279.8	294.4	+1.7	5.94
American Equity Acc.	380.1	398.0	+1.5	–
Far Eastern Acc.	602.7	650.3	+2.5	–
Index-Linked Acc.	193.0	203.2	+0.9	–
Japan Acc.	340.3	358.3	+1.7	–
Pacific Acc.	383.8	404.1	+0.3	–
European	202.9	213.6	+0.7	–
Adventurous Bond	153.5		+0.3	–
Gold Distribution	164.4	173.1	+1.2	–
Sun Life Pensions Management Ltd				
(Funds for individual pension contract)				
Pens. Managed Acc.	1185.7	1248.2	+10.5	–
Pens. Property Acc.	342.5	360.6	-0.1	–
Pens. Equity Acc.	1853.9	1951.5	+21.1	–
Pens. F. Interest Acc.	473.1	498.0	+0.1	–
Pens. Cash Acc.	415.3	437.2	+0.1	–
Pens. Internat. Acc.	723.9	762.1	+1.9	–
Pens. Amer. Equity Acc.	348.5	366.9	+5.6	–
Pens. Far Eastern Acc.	1529.8	1610.4	+5.2	–
Pens. Ind. Lnkd. Acc.	219.0	230.6	+1.0	–
Pens. Japan Acc.	383.0	403.2	+1.9	–
Pens. Pacific Acc.	550.6	579.5	+0.5	–
Pens. Euro. Acc.	227.8	239.8	+0.8	–
Pens. Bldg Soc.	177.5	186.9	–	–
Pens. Retirement Dist.	147.1	154.9	+1.3	–

MANAGEMENT SERVICES

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GUERNSEY (REGULATED)(**)

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Abtrust Fund Mngrs Luxembourg SA (u)

13 rue Goethe L-1637 Luxembourg 010 352 4048481

American Phoenix Investment Portfolios (u)

13 rue Goethe, L-1637 Luxembourg 010 352 4048461

BAS Intermarket Fund

2 Boulevard Royal, Luxembourg 010 352 4590 3302

NAV Jul 29 $– 571.09

Bank Von Ernst & Cie AG

Marktgasse 63/65, 3001 Berne, Switzerland 313114051

HSBC Investment Funds Luxembourg SA (u)

Henderson Management SA (u)

LUXEMBOURG (REGULATED)(**)

For ABN AMRO see Luxembourg (SIB Recognised)

Aetos International Umbrella Fund (u)

Israel Selection Fund

NAV $74.75

For Latin American Securities see Foreign & Colonial

Lloyds Bank Luxembourg (u)

Lombard Odier Invest (u)

MFS International Funds

"WINTERTHUR" Fund Mngmt Co (Lux) SA

OTHER OFFSHORE FUNDS

CURRENCIES AND MONEY

MARKETS REPORT

Dollar in narrow range

The dollar traded in a narrow range yesterday after Tuesday's 50 basis point rise in US short term interest rates, *writes Philip Gawith.*

The market's response was more encouraging than after the previous three rate rises, where the dollar fell sharply. But investors remain wary of the dollar, having paid for their bullishness earlier in the year.

It closed in London at DM1.5603 compared to the DM1.5480 before the rate rise. Against the yen it finished at Y100.26 from Y100.425.

Market attention quickly shifted to the Bundesbank council meeting today, the first after the summer recess. In a Reuters poll of 20 analysts, 85 per cent said they did not expect a cut in official German rates. A possibility remains that the Bundesbank will announce a return to a variable rate repo, which could herald a gradual drop in rates.

Some observers, however, believe that the central bank may set another fixed rate repo, to avoid the possibility of rates rising under the variable option.

The other main development was in the UK where better than expected inflation and earnings figures boosted financial markets. Short sterling rose sharply, but the pound remained little changed as the fortunes of the D-Mark and the dollar continued to determine its progress.

The trade weighted sterling index closed unchanged at 78.8.

The Australian dollar was slightly weaker at $0.7402 from $0.7418 after the Reserve Bank followed the Fed's lead and raised interest rates by 75 basis points to 5.5 per cent.

■ The relative improvement in the dollar's performance, post rate-rise, can probably be attributed to the firmer tone of the US bond market. "Previously the bond market had always felt that maybe there was more to come in terms of rate increases. Now there is a sense that maybe enough has been done," said Mr Adrian Cunningham, senior currency economist at UBS in London.

He warned, though, that there was a risk of further speculation if the Bundesbank failed today to offer the prospect of lower rates. This, said Mr Cunningham, might prompt a flow of funds from peripheral European currencies into the D-Mark, which would put downward pressure on the dollar.

Mr David Cocker, currency analyst at Chemical Bank in London, noted that overnight to one week money rates in the US had now crept above those in Germany. "For the first time, then, a trader in the interbank market will have an incentive to hold dollars rather than D-Marks."

He said three other factors would probably have to be met in order for the dollar to make a sustained recovery. First, there would need to be a clear resolution of the US-Japan trade dispute. Second, there would need to be a sense that US rates were close to their peak for a while, so that the bond market could enjoy a significant rally.

Finally, the US presidency required increased credibility, "something that seems further away than ever," said Mr Cocker.

He noted that sentiment remained fragile, and said that a poor inflation number in the next month would renew fears that the Fed was "behind the curve" in combatting rising prices, prompting further dollar sales.

■ Events in the UK were dominated by the recovery in short sterling, prompted by the exceptional RPI figures. The underlying growth of retail prices by only 2.2 per cent in the year to July, was the best performance in 27 years.

The December contract traded 41,595 lots to close thirteen basis points firmer at 93.36, off a high for the day of 93.45. Economists were near unanimous in concluding that the latest data show that the economy does not need higher rates. But the futures market is still expecting rates to rise by about 135 basis points by the year-end.

■ In Europe the D-Mark was slightly weaker against most currencies. The lira finished firmer at L1,018 from L1,023 and the French franc closed at FFr3.430 from FFr3.431.

One exception was the Swedish krona which was under severe pressure after a leak of the social democratic party's economic programme disappointed the bond market. The krona closed at SKr5.054 against the D-Mark, from SKr5.040, after slipping to a low of SKr5.0740.

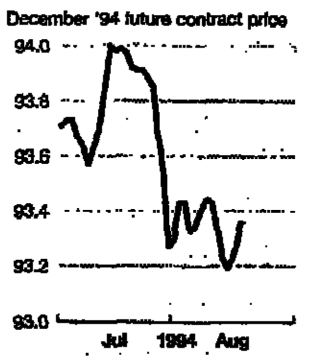
Mr Niels Christensen, currency analyst at Technical Data in London, commented: "A lack of a move up in bonds and a strengthening of the D-Mark could easily be the scenario that triggers a move up towards SKr5.10." But he added that there was a lot of negative news already built into the very low bond prices.

■ In its daily operations the Bank of England provided UK money markets with £305m late assistance. Earlier it had provided £70m assistance at established rates, compared to a forecast shortage of £400m. Overnight money traded between 4¾ and 6½ per cent.

In Germany call money rates eased to 4.80/90 per cent from 4.85/95 per cent ahead of the Bundesbank meeting.

Short Sterling

December '94 future contract price



Source: FT Graphite

■ **Pound in New York**

Aug 17	— Latest —	— Prev. close —
£ spot	1.5400	1.5390
1 mth	1.5396	1.5384
3 mth	1.5377	1.5366
1 yr	1.5260	1.5250

■ **OTHER CURRENCIES**

Aug 17	£	$
Hungary	165.389 - 165.596	107.500 - 107.600
Iran	2691.00 - 2694.00	1748.00 - 1750.00
Kuwait	0.4582 - 0.4594	0.2978 - 0.2985
Poland	34970.1 - 35012.3	22730.0 - 22750.0
Russia	3276.10 - 3285.35	2129.00 - 2135.00
U.A.E.	5.6444 - 5.6559	3.6715 - 3.6735

POUND SPOT FORWARD AGAINST THE POUND

Aug 17		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	16.9009	+0.0252	943 - 075	16.9201	16.8324	16.8986	0.3	16.8847	0.4	-	-	116.6
Belgium	(BFr)	49.4524	+0.0521	228 - 819	49.5480	49.3970	49.4274	0.6	49.4574	0.0	49.2074	0.5	117.1
Denmark	(DKr)	9.5287	+0.0105	233 - 341	9.5397	9.5084	9.5448	-2.0	9.571	-1.8	9.6281	-1.0	116.7
Finland	(FM)	7.9684	+0.0113	594 - 774	7.9970	7.9510	-	-	-	-	-	-	82.8
France	(FFr)	8.2320	+0.0133	279 - 360	8.2487	8.2210	8.2359	-0.5	8.2354	-0.2	8.1894	0.4	110.4
Germany	(DM)	2.4009	+0.0058	001 - 016	2.4067	2.3911	2.4003	0.3	2.3978	0.5	2.3706	1.3	126.7
Greece	(Dr)	363.694	+0.605	394 - 974	364.612	362.903	-	-	-	-	-	-	-
Ireland	(I£)	1.0140	+0.0014	133 - 146	1.0211	1.0112	1.0141	-0.1	1.0142	-0.1	1.0146	-0.1	104.1
Italy	(L)	2443.54	-7.99	160 - 547	2453.01	2440.35	2451.54	-3.9	2467.99	-4.0	2537.14	-3.8	75.0
Luxembourg	(LFr)	49.4524	+0.0521	228 - 819	49.5480	49.3970	49.4274	0.6	49.4574	0.0	49.2074	0.5	117.1
Netherlands	(Fl)	2.6957	+0.0053	948 - 965	2.7013	2.6899	2.6948	0.4	2.6922	0.5	2.6628	1.2	121.1
Norway	(NKr)	10.5686	+0.016	653 - 719	10.5866	10.5380	10.5658	0.3	10.5761	-0.3	10.5821	0.1	96.7
Portugal	(Es)	246.354	+0.554	160 - 548	246.799	245.698	248.094	-8.4	251.264	-8.0	-	-	-
Spain	(Pta)	200.384	+0.408	236 - 532	200.905	199.994	200.868	-2.9	201.709	-2.6	204.414	-2.0	86.7
Sweden	(SKr)	12.1353	+0.0554	275 - 430	12.1909	12.0432	12.1588	-2.1	12.2073	-2.4	12.4278	-2.4	72.2
Switzerland	(SFr)	2.0171	+0.0078	162 - 179	2.0239	2.0121	2.0153	1.1	2.0111	1.2	1.9795	1.9	121.9
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	78.8
Ecu	-	1.2627	+0.0016	621 - 633	1.2644	1.2608	1.2635	-0.8	1.2643	-0.5	1.2632	0.0	-
SDR†	-	0.944326	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5387	-0.0001	383 - 390	1.5397	1.5360	-	-	-	-	-	-	-
Brazil	(R)	1.3849	+0.005	831 - 866	1.3894	1.3776	-	-	-	-	-	-	-
Canada	(C$)	2.1176	-0.0092	168 - 183	2.1184	2.1124	2.1175	0.0	2.1171	0.1	2.1249	-0.3	86.3
Mexico	(New Peso)	5.2387	-0.0069	355 - 418	5.2420	5.2348	-	-	-	-	-	-	-
USA	($)	1.5388	-0.0013	385 - 390	1.5397	1.5358	1.5383	0.4	1.5366	0.6	1.5253	0.9	63.2
Pacific/Middle East/Africa													
Australia	(A$)	2.0790	+0.0027	779 - 800	2.0819	2.0572	2.0789	0.0	2.0803	-0.3	2.0985	-0.9	-
Hong Kong	(HK$)	11.8895	-0.0123	868 - 922	11.8965	11.8679	11.8856	0.4	11.8845	0.2	11.8915	0.0	-
India	(Rs)	48.2668	-0.0442	551 - 784	48.2970	48.1820	-	-	-	-	-	-	-
Japan	(Y)	154.276	-0.389	189 - 362	155.160	154.150	153.876	3.1	153.011	3.3	148.506	3.7	188.1
Malaysia	(M$)	3.9403	-0.0031	389 - 417	3.9432	3.9340	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.5698	+0.0061	672 - 723	2.5726	2.5620	2.5737	-1.8	2.5815	-1.8	2.6038	-1.3	-
Philippines	(Peso)	40.3923	-0.0355	010 - 835	40.8855	40.0000	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.7710	-0.006	697 - 722	5.7742	5.7602	-	-	-	-	-	-	-
Singapore	(S$)	2.3180	-0.0019	188 - 191	2.3193	2.3149	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.5207	-0.0029	186 - 227	5.5231	5.5035	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	6.9552	-0.0292	386 - 717	6.9726	6.9133	-	-	-	-	-	-	-
South Korea	(Won)	1237.08	-6.17	680 - 736	1239.13	1234.48	-	-	-	-	-	-	-
Taiwan	(T$)	40.7511	-0.0281	418 - 604	40.7736	40.6725	-	-	-	-	-	-	-
Thailand	(Bt)	38.5457	-0.003	240 - 673	38.5740	38.4860	-	-	-	-	-	-	-

†SDR rate for Aug 16. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Aug 17		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan index
Europe													
Austria	(Sch)	10.9835	+0.026	810 - 860	11.0105	10.9600	10.9837	0.0	10.9835	0.0	10.8985	0.8	104.8
Belgium	(BFr)	32.1380	+0.062	240 - 520	32.2300	32.1050	32.163	-0.9	32.178	-0.5	32.263	-0.4	106.3
Denmark	(DKr)	6.1925	+0.0122	900 - 950	6.2121	6.1823	6.205	-2.4	6.2287	-2.3	6.3125	-1.9	105.1
Finland	(FM)	5.1785	+0.0119	735 - 835	5.2012	5.1672	5.1835	-1.2	5.1972	-1.4	5.2785	-1.9	77.4
France	(FFr)	5.3498	+0.0133	480 - 515	5.3640	5.3426	5.3531	-0.7	5.3591	-0.7	5.3213	0.5	106.8
Germany	(D)	1.5603	+0.0051	600 - 605	1.5680	1.5555	1.5605	-0.1	1.5605	0.0	1.5544	0.4	107.7
Greece	(Dr)	236.350	+0.6	200 - 500	237.100	235.950	236.64	-1.5	237.425	-1.8	240.45	-1.7	69.8
Ireland	(I£)	1.5176	-0.0035	168 - 183	1.5207	1.5057	1.5159	1.3	1.5121	1.4	1.4946	1.5	-
Italy	(L)	1588.00	-3.8	700 - 900	1595.20	1587.00	1593.75	-4.3	1606.15	-4.6	1663.5	-4.8	75.1
Luxembourg	(LFr)	32.1380	+0.062	240 - 520	32.2300	32.1050	32.163	-0.9	32.178	-0.5	32.263	-0.4	106.3
Netherlands	(Fl)	1.7519	+0.005	516 - 521	1.7585	1.7487	1.7518	0.0	1.7517	0.0	1.7458	0.3	106.0
Norway	(NKr)	6.8683	+0.0164	673 - 693	6.8883	6.8501	6.8718	-0.6	6.8883	-1.2	6.8008	1.0	96.9
Portugal	(Es)	160.100	+0.5	000 - 200	160.520	159.700	161.175	-8.1	163.5	-8.5	169.6	-5.9	95.3
Spain	(Pta)	130.225	+0.38	150 - 300	130.660	130.080	130.585	-3.3	131.27	-3.2	134.025	-2.9	80.6
Sweden	(SKr)	7.8865	+0.0429	827 - 902	7.9239	7.8365	7.9083	-3.3	7.9565	-3.6	8.2015	-4.0	77.5
Switzerland	(SFr)	1.3109	+0.0063	105 - 112	1.3165	1.3084	1.3101	0.7	1.3088	0.6	1.2978	1.0	107.6
UK	(£)	1.5388	-0.0013	385 - 390	1.5397	1.5358	1.5383	0.4	1.5366	0.6	1.5253	0.9	86.9
Ecu	-	1.2186	-0.0027	182 - 190	1.2203	1.2150	1.2174	1.2	1.2153	1.1	1.2288	-0.8	-
SDR†	-	1.45351	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.0000	+0.0008	999 - 000	1.0000	0.9999	-	-	-	-	-	-	-
Brazil	(R)	0.9000	+0.004	990 - 010	0.9030	0.8980	-	-	-	-	-	-	-
Canada	(C$)	1.3762	-0.0048	759 - 764	1.3780	1.3737	1.3772	-0.9	1.3795	-1.0	1.3967	-1.5	82.5
Mexico	(New Peso)	3.4045	-0.0015	030 - 060	3.4070	3.4030	3.4055	-0.4	3.4073	-0.3	3.4147	-0.3	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	97.1
Pacific/Middle East/Africa													
Australia	(A$)	1.3511	+0.0029	506 - 515	1.3515	1.3387	1.3514	-0.2	1.3521	-0.3	1.3594	-0.6	87.6
Hong Kong	(HK$)	7.7267	-0.0012	262 - 272	7.7281	7.7262	7.7265	0.0	7.7272	0.0	7.7422	-0.2	-
India	(Rs)	31.3675	-0.0013	650 - 700	31.3700	31.3625	31.4525	-3.3	31.5975	-2.9	-	-	-
Japan	(Y)	100.260	-0.165	220 - 300	101.000	100.180	100.03	2.8	99.58	2.7	97.365	2.9	148.4
Malaysia	(M$)	2.5607	+0.0002	602 - 612	2.5633	2.5590	2.5515	4.3	2.5402	3.2	2.6137	-2.1	-
New Zealand	(NZ$)	1.6700	+0.0054	686 - 714	1.6714	1.6606	1.6709	-0.7	1.6728	-0.7	1.6781	-0.5	-
Philippines	(Peso)	26.2500	-	000 - 000	26.6000	26.0000	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7504	-	502 - 506	3.7506	3.7502	3.7517	-0.4	3.7558	-0.6	3.7744	-0.6	-
Singapore	(S$)	1.5064	+0.0001	059 - 069	1.5075	1.5059	1.5051	1.1	1.5032	0.9	1.4964	0.7	-
S Africa (Com.)	(R)	3.5878	+0.0013	870 - 885	3.5900	3.5850	3.6033	-5.2	3.6316	-4.9	3.7083	-3.4	-
S Africa (Fin.)	(R)	4.5200	-0.015	100 - 300	4.5350	4.4950	4.5537	-9.0	4.6125	-8.2	-	-	-
South Korea	(Won)	803.950	-2.65	900 - 000	805.200	803.500	806.95	-4.5	810.45	-3.2	828.95	-3.1	-
Taiwan	(T$)	26.4833	+0.005	815 - 850	26.4930	26.4800	26.5033	-0.9	26.5433	-0.9	-	-	-
Thailand	(Bt)	25.0500	+0.02	400 - 600	25.0600	25.0400	25.1225	-3.5	25.25	-3.2	25.73	-2.7	-

†SDR rate for Aug 16. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Aug 16. Base average 1990=100

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Aug 17		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	19.27	16.65	4.853	2.051	4940	5.450	21.35	498.1	405.1	24.53	4.079	2.022	4.281	3.112	311.8	2.552
Denmark	(DKr)	51.90	10	8.640	2.519	1.064	2564	2.829	11.08	258.5	210.2	12.73	2.117	1.050	2.222	1.615	161.8	1.325
France	(FFr)	60.07	11.57	10	2.915	1.232	2968	3.274	12.83	299.2	243.3	14.74	2.450	1.215	2.572	1.870	187.3	1.533
Germany	(DM)	20.60	3.970	3.430	1	0.423	1018	1.123	4.400	102.6	83.46	5.054	0.840	0.417	0.882	0.641	64.25	0.526
Ireland	(I£)	48.77	9.396	8.118	2.367	1	2409	2.658	10.41	242.9	197.5	11.96	1.989	0.986	2.088	1.518	152.1	1.245
Italy	(L)	2.024	0.390	0.337	0.098	0.042	100.	0.110	0.432	10.08	8.199	0.497	0.083	0.041	0.087	0.063	6.312	0.052
Netherlands	(Fl)	18.35	3.535	3.055	0.891	0.376	906.5	1	3.918	91.39	74.32	4.501	0.748	0.371	0.786	0.571	57.22	0.468
Norway	(NKr)	46.83	9.023	7.795	2.273	0.960	2313	2.552	10	233.2	189.7	11.49	1.910	0.947	2.005	1.457	146.0	1.195
Portugal	(Es)	20.08	3.868	3.342	0.974	0.412	991.9	1.094	4.287	100.	81.32	4.925	0.819	0.406	0.860	0.625	62.61	0.512
Spain	(Pta)	24.69	4.757	4.110	1.198	0.506	1220	1.345	5.272	123.0	100.	6.056	1.007	0.499	1.057	0.768	76.98	0.630
Sweden	(SKr)	40.77	7.855	6.786	1.979	0.836	2014	2.222	8.706	203.1	165.1	10	1.663	0.824	1.745	1.269	127.1	1.040
Switzerland	(SFr)	24.52	4.724	4.081	1.190	0.503	1211	1.336	5.235	122.1	99.31	6.014	1	0.496	1.050	0.763	76.45	0.626
UK	(£)	49.45	9.528	8.232	2.400	1.014	2443	2.695	10.56	246.3	200.3	12.13	2.017	1	2.117	1.539	154.2	1.262
Canada	(C$)	23.36	4.501	3.889	1.134	0.479	1154	1.273	4.988	116.3	94.62	5.730	0.953	0.472	1	0.727	72.84	0.596
US	($)	32.13	6.191	5.349	1.559	0.659	1587	1.751	6.862	160.0	130.1	7.882	1.311	0.650	1.376	1	100.2	0.820
Japan	(Y)	320.7	61.79	53.39	15.56	6.576	15843	17.48	68.48	1597	1299	78.66	13.08	6.485	13.73	9.981	1000.	8.184
Ecu		39.18	7.550	6.523	1.902	0.803	1936	2.135	8.368	195.2	158.7	9.612	1.598	0.792	1.677	1.219	122.2	1

Yen per 1,000: Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Escudo, Lira and Peseta per 100.

■ **D-MARK FUTURES** (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.6428	0.6407	-0.0014	0.6428	0.6395	52,624	103,176
Dec	0.6422	0.6405	-0.0018	0.6422	0.6402	1,085	6,304
Mar	-	0.6418	-	-	0.6418	11	1,615

■ **JAPANESE YEN FUTURES** (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.9988	0.9994	+0.0013	1.0006	0.9923	18,456	63,810
Dec	1.0000	1.0065	+0.0013	1.0068	1.0000	625	6,922
Mar	-	1.0129	-	-	-	10	1,125

■ **SWISS FRANC FUTURES** (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.7636	0.7630	-0.0022	0.7644	0.7597	22,979	45,447
Dec	0.7645	0.7640	-0.0029	0.7648	0.7633	387	1,737
Mar	-	0.7670	-	-	0.7670	2	46

■ **STERLING FUTURES** (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	1.5370	1.5378	-0.0018	1.5382	1.5350	17,294	33,009
Dec	1.5360	1.5350	-0.0020	1.5360	1.5340	1,149	1,830
Mar	-	1.5320	-	-	1.5320	10	153

EMS EUROPEAN CURRENCY UNIT RATES

Aug 17	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Netherlands	2.19672	2.14461	+0.00104	-2.37	5.99	-
Belgium	40.2123	39.3539	-0.0007	-2.13	5.74	16
Germany	1.94964	1.91007	+0.00128	-2.03	5.62	-
Ireland	0.808628	0.805610	-0.000524	-0.37	3.67	3
France	6.53883	6.55073	-0.00173	0.18	3.29	-2
Portugal	192.854	195.910	+0.047	1.58	1.87	-11
Denmark	7.43679	7.58463	+0.00399	1.99	1.46	-14
Spain	154.250	159.617	+0.3	3.48	0.00	-24
NON ERM MEMBERS						
Greece	264.513	289.274	+0.096	9.36	-5.38	-
Italy	1793.19	1949.97	-3.3	8.74	-4.84	-
UK	0.786749	0.795236	-0.001251	1.08	2.38	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ **PHILADELPHIA SE £/$ OPTIONS** £31,250 (cents per pound)

Strike Price	CALLS Sep	CALLS Oct	CALLS Nov	PUTS Sep	PUTS Oct	PUTS Nov
1.450	8.69	8.62	8.67	-	0.04	0.17
1.475	6.22	6.36	6.52	0.01	0.21	0.48
1.500	3.93	4.28	4.60	0.20	0.61	1.03
1.525	2.06	2.57	3.00	0.75	1.38	1.90
1.550	0.80	1.39	1.85	1.98	2.58	3.12
1.575	0.03	0.65	1.03	3.83	4.32	4.77

Previous day's vol., Calls 20,928 Puts 6,538 . Prev. day's open int., Calls 548,613 Puts 425,465

WORLD INTEREST RATES

MONEY RATES

August 17	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	4⅞	5⅛	5¼	5⅝	6¼	7.40	4.50	-
week ago	4⅞	5⅛	5$\frac{7}{16}$	5⅝	6¼	7.40	4.50	-
France	5⅜	5½	5¾	5⅝	6⅜	5.00	-	6.75
week ago	5⅜	5½	5⅝	5¾	6½	5.00	-	6.75
Germany	4.88	4.95	4.95	5.00	5.25	6.00	4.50	4.85
week ago	4.98	4.95	4.95	4.98	5.18	6.00	4.50	4.85
Ireland	5	5⅞	5$\frac{15}{16}$	6⅜	6¾	-	-	6.25
week ago	5	5⅞	5$\frac{15}{16}$	6⅜	6¾	-	-	6.25
Italy	8⅞	8¾	9$\frac{1}{16}$	9⅝	10⅜	-	7.50	8.20
week ago	8½	8¾	8¾	9	9⅞	-	7.00	8.20
Netherlands	4.85	4.93	4.96	5.08	5.37	-	5.25	-
week ago	4.85	4.93	4.99	5.06	5.28	-	5.25	-
Switzerland	3⅞	4⅛	4⅜	4½	4$\frac{13}{16}$	6.625	3.50	-
week ago	4	4⅛	4¾	4½	4$\frac{13}{16}$	6.625	3.50	-
US	4⅞	4¾	4⅞	5¼	5$\frac{11}{16}$	-	4.00	-
week ago	4⅝	4¾	4$\frac{13}{16}$	5¼	5¾	-	3.50	-
Japan	2$\frac{1}{16}$	2$\frac{3}{16}$	2⅜	2¾	2$\frac{11}{16}$	-	1.75	-
week ago	2$\frac{1}{16}$	2$\frac{3}{16}$	2⅜	2¾	2$\frac{11}{16}$	-	1.75	-
■ $ LIBOR FT London								
Interbank Fixing	-	4$\frac{13}{16}$	5	5¼	5¾	-	-	-
week ago	-	4$\frac{13}{16}$	4⅞	5⅜	5⅝	-	-	-
US Dollar CDs	-	4.62	4.76	5.00	5.50	-	-	-
week ago	-	4.62	4.73	5.06	5.59	-	-	-
SDR Linked Ds	-	3½	3⅜	3¾	4	-	-	-
week ago	-	3½	3⅜	3¾	4	-	-	-

ECU Linked Ds mid rates: 1 mth: 5$\frac{5}{16}$; 3 mths: 6$\frac{1}{16}$; 6 mths: 6¼; 1 year: 6¾. $ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Aug 17	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	4$\frac{13}{16}$ - 4$\frac{11}{16}$	5$\frac{1}{16}$ - 4$\frac{13}{16}$	5$\frac{3}{16}$ - 5$\frac{1}{16}$	5⅝ - 5½	5$\frac{15}{16}$ - 5$\frac{13}{16}$	6¼ - 6⅛
Danish Krone	5 - 4½	6 - 5½	6½ - 6	7⅛ - 6⅝	7½ - 7	7¾ - 7¼
D-Mark	4$\frac{13}{16}$ - 4$\frac{11}{16}$	4⅞ - 4¾	4⅞ - 4¾	4$\frac{15}{16}$ - 4$\frac{13}{16}$	5 - 4⅞	5$\frac{5}{16}$ - 5$\frac{3}{16}$
Dutch Guilder	4$\frac{15}{16}$ - 4$\frac{13}{16}$	4$\frac{15}{16}$ - 4$\frac{13}{16}$	4$\frac{15}{16}$ - 4$\frac{13}{16}$	5 - 4⅞	5⅛ - 5	5⅜ - 5¼
French Franc	5⅝ - 5¼	5$\frac{7}{16}$ - 5$\frac{5}{16}$	5$\frac{9}{16}$ - 5$\frac{7}{16}$	5⅝ - 5½	5$\frac{15}{16}$ - 5$\frac{13}{16}$	6$\frac{5}{16}$ - 6$\frac{3}{16}$
Portuguese Esc.	12⅛ - 11⅞	11½ - 11	12¼ - 11¾	12¼ - 11¾	12⅜ - 11⅞	12⅜ - 11½
Spanish Peseta	7$\frac{11}{16}$ - 7$\frac{7}{16}$	7⅞ - 7$\frac{11}{16}$	8 - 7¾	8$\frac{1}{16}$ - 7$\frac{15}{16}$	8⅜ - 8$\frac{3}{16}$	8⅞ - 8⅝
Sterling	5 - 4⅞	4$\frac{15}{16}$ - 4$\frac{13}{16}$	5⅛ - 5$\frac{1}{16}$	5$\frac{5}{8}$ - 5½	5$\frac{15}{16}$ - 5⅞	6¾ - 6⅝
Swiss Franc	3⅞ - 3⅝	4⅛ - 3⅞	4$\frac{3}{16}$ - 4$\frac{1}{16}$	4⅜ - 4¼	4$\frac{9}{16}$ - 4$\frac{7}{16}$	4¾ - 4⅝
Can. Dollar	5⅛ - 4⅞	5⅛ - 4⅞	5¼ - 5⅛	5$\frac{5}{16}$ - 5$\frac{7}{16}$	6 - 5⅞	7 - 6⅞
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ **THREE MONTH PIBOR FUTURES** (MATIF) Paris interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	94.19	94.20	+0.05	94.22	94.16	15,212	45,013
Dec	93.85	93.80	+0.04	93.87	93.80	18,047	40,820
Mar	93.55	93.52	+0.04	93.58	93.51	6,479	29,499
Jun	93.31	93.24	+0.01	93.33	93.24	3,631	26,878

■ **THREE MONTH EURODOLLAR** (LIFFE) $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	94.90	94.89	+0.03	94.90	94.89	276	3090
Dec	94.26	94.28	+0.13	94.28	94.27	417	1944
Mar	-	94.04	+0.14	-	-	0	1461
Jun	-	93.73	+0.17	-	-	0	354

■ **THREE MONTH EUROMARK FUTURES** (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	95.05	95.06	+0.03	95.09	95.04	21924	155111
Dec	94.86	94.88	+0.02	94.94	94.85	43348	171928
Mar	94.57	94.57	+0.03	94.67	94.54	27308	157390
Jun	94.24	94.21	-	94.31	94.20	12213	100485

■ **THREE MONTH EUROLIRA INT.RATE FUTURES** (LIFFE) L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	89.96	89.91	+0.07	89.96	89.85	6997	22857
Dec	89.45	89.22	-0.14	89.49	89.21	6201	45222
Mar	89.05	88.81	-0.16	89.05	88.78	2411	13650
Jun	88.65	88.44	-0.12	88.65	88.42	1125	12212

■ **THREE MONTH EURO SWISS FRANC FUTURES** (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	95.62	95.62	+0.03	95.65	95.59	6069	25423
Dec	95.41	95.38	-	95.45	95.37	3352	13475
Mar	95.17	95.15	-0.01	95.20	95.13	705	11126
Jun	94.88	94.82	-0.01	94.89	94.80	161	6223

■ **THREE MONTH ECU FUTURES** (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	93.78	93.85	+0.09	93.85	93.78	1262	10493
Dec	93.47	93.50	+0.05	93.55	93.47	553	7482
Mar	93.16	93.19	+0.05	93.23	93.16	231	4422
Jun	92.88	92.88	+0.04	92.91	92.86	87	1285

* LIFFE futures traded on APT

■ **THREE MONTH EURODOLLAR** (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	94.85	94.87	+0.02	94.90	94.85	175,384	424,927
Dec	94.23	94.27	+0.05	94.31	94.22	280,164	477,991
Mar	93.97	94.03	+0.06	94.07	93.97	105,532	336,551

■ **US TREASURY BILL FUTURES** (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	95.26	95.25	+0.02	95.26	95.24	3,479	17,393
Dec	94.78	94.78	+0.05	94.81	94.78	436	9,392
Mar	-	94.51	+0.09	94.52	-	42	3,816

All Open interest figs. are for previous day

■ **EUROMARK OPTIONS** (LIFFE) DM1m points of 100%

Strike Price	CALLS Sep	CALLS Oct	CALLS Nov	CALLS Dec	PUTS Sep	PUTS Oct	PUTS Nov	PUTS Dec
9500	0.11	0.07	0.10	0.13	0.05	0.21	0.24	0.27
9525	0.02	0.02	0.05	0.05	0.21	0.41	0.44	0.44
9550	0	0	0.02	0.02	0.44	0.64	0.66	0.66

Est. vol. total, Calls 3810 Puts 2325. Previous day's open int., Calls 247771 Puts 166730

■ **EURO SWISS FRANC OPTIONS** (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Sep	CALLS Dec	CALLS Mar	PUTS Sep	PUTS Dec	PUTS Mar
9550	0.16	0.13	0.18	0.03	0.25	0.53
9575	0.04	0.05	0.10	0.17	0.42	0.70
9600	0	0.02	0.04	[illegible]	0.64	[illegible]

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 1605 Puts 1515

UK INTEREST RATES

LONDON MONEY RATES

Aug 17	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	5 - 4¾	5 - 4⅞	5⅛ - 5	5⅝ - 5½	6$\frac{1}{16}$ - 5$\frac{15}{16}$	6$\frac{11}{16}$ - 6$\frac{9}{16}$
Sterling CDs	-	-	5$\frac{1}{16}$ - 5	5½ - 5$\frac{7}{16}$	5⅞ - 5$\frac{13}{16}$	6$\frac{11}{16}$ - 6$\frac{9}{16}$
Treasury Bills	-	-	5 - 4$\frac{15}{16}$	5½ - 5⅜	-	-
Bank Bills	-	-	5 - 4$\frac{15}{16}$	5$\frac{9}{16}$ - 5$\frac{7}{16}$	5$\frac{15}{16}$ - 5⅞	-
Local authority deps.	4$\frac{13}{16}$ - 4$\frac{11}{16}$	4⅞ - 4¾	5⅛ - 5	5⅝ - 5½	6⅛ - 6	6⅞ - 6¾
Discount Market deps	5¼ - 4⅞	4$\frac{15}{16}$ - 4$\frac{13}{16}$	-	-	-	-

UK clearing bank base lending rate 5¼ per cent from February 8, 1994

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	1	3½	3½	3	3

Certs of Tax dep. under £100,000 is 1½pc. Deposits withdrawn for cash ½pc. Ave. tender rate of discount 5.3742pc. ECGD Fixed rate Stg. Export Finance. Make up day July 29, 1994. Agreed rate for period Aug 24, 1994 to Sep 25, 1994, Scheme III 6.80pc. Reference rate for period July 1, 1994 to July 29, 1994, Schemes IV & V 5.2450pc. Finance House Base Rate 5½pc from Aug 1, 1994

■ **THREE MONTH STERLING FUTURES** (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	94.08	94.16	+0.13	94.21	94.03	23404	95491
Dec	93.27	93.36	+0.13	93.45	93.26	41645	167802
Mar	92.65	92.74	+0.11	92.85	92.66	12913	65005
Jun	92.15	92.22	+0.10	92.34	92.15	5065	51404

Traded on APT. All Open interest figs. are for previous day.

■ **SHORT STERLING OPTIONS** (LIFFE) £500,000 points of 100%

Strike Price	CALLS Sep	CALLS Dec	CALLS Mar	PUTS Sep	PUTS Dec	PUTS Mar
9400	0.26	0.08	0.06	0.12	0.72	1.32
9425	0.12	0.04	0.04	0.21	0.93	1.55
9450	0.03	0.02	0.02	0.37	1.16	1.78

Est. vol. total, Calls 18481 Puts 10278. Previous day's open int., Calls 344257 Puts 261897

BASE LENDING RATES

	%		%		%
Adam & Company	5.25	Duncan Lawrie	5.25	● Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution.	6
Allied Trust Bank	5.25	Exeter Bank Limited	6.25	Royal Bk of Scotland	5.25
AIB Bank	5.25	Financial & Gen Bank	6	●Smith & Williamson Secs	5.25
●Henry Ansbacher	5.25	●Robert Fleming & Co	5.25	TSB	5.25
Bank of Baroda	5.25	Girobank	5.25	●United Bk of Kuwait	5.25
Banco Bilbao Vizcaya	5.25	●Guinness Mahon	5.25	Unity Trust Bank Plc	5.25
Bank of Cyprus	5.25	Habib Bank AG Zurich	5.25	Western Trust	5.25
Bank of India	5.25	●Hambros Bank	5.25	Whiteaway Laidlaw	5.75
Bank of Ireland	5.25	Heritable & Gen Inv Bk	5.25	Yorkshire Bank	5.25
Bank of Scotland	5.25	●Hill Samuel	5.25		
Barclays Bank	5.25	C. Hoare & Co	5.25		
Brit Bk of Mid East	5.25	Hongkong & Shanghai	5.25		
●Brown Shipley & Co Ltd	5.25	Julian Hodge Bank	5.25		
Cl. Bank Nederland	5.25	●Leopold Joseph & Sons	5.25		
Citibank NA	5.25	Lloyds Bank	5.25		
Clydesdale Bank	5.25	Meghraj Bank Ltd	5.25		
The Co-operative Bank	5.25	Midland Bank	5.25		
Coutts & Co	5.25	● Mount Banking	6		
Credit Lyonnais	5.25	NatWestminster	5.25		
Cyprus Popular Bank	5.25	●Rea Brothers	5.25		

● Members of London Investment Banking Association
* In administration

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Aug 17 / Sch)

BELGIUM/LUXEMBOURG (Aug 17 / Frs.)

DENMARK (Aug 17 / Kr)

FINLAND (Aug 17 / Mks)

FRANCE (Aug 17 / Frs.)

GERMANY (Aug 17 / Dm.)

ITALY (Aug 17 / Lire)

NETHERLANDS (Aug 17 / Fls.)

NORWAY (Aug 17 / Kroner)

SPAIN (Aug 17 / Pts.)

SWEDEN (Aug 17 / Kronor)

SWITZERLAND (Aug 17 / Frs.)

PACIFIC

JAPAN (Aug 17 / Yen)

AUSTRALIA (Aug 17 / AustS)

HONG KONG (Aug 17 / H.K.$)

MALAYSIA (Aug 17 / MYR)

SINGAPORE (Aug 17 / S$)

NORTH AMERICA

CANADA

TORONTO (Aug 17 / Can $)

4 pm close

MONTREAL (Aug 17 / Can $)

4 pm close

AFRICA

SOUTH AFRICA (Aug 17 / Rand)

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1994, except Toronto & Montreal (daily). ♦ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

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■ TOKYO - MOST ACTIVE STOCKS: Wednesday, August 17, 1994

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nippon Steel	18.9m	375		Mitsubishi Hvy	6.3m	611	+9
Sumitomo Mtl	14.1m	340	+14	Kumagai Gumi	6.0m	572	+15
Kobe Steel	10.3m	330	+3	Sumitomo Chem	5.7m	578	+6
NKK	10.0m	289	+1	Nissan Motor	5.7m	804	+5
Kawasaki Steel	6.8m	423	+1	Kawasaki Hvy	5.0m	481	+8

INDICES

	Aug 17	Aug 16	Aug 15	1994 High		1994 Low	
Italy							
Banca Comm Ital (1972)	649.22	654.15	(c)	817.17	10/5	588.86	10/1
MIB General (4/1/94)	1049.0	1056.0	(c)	1319.60	10/5	944.00	10/1
Japan							
Nikkei 225 (16/5/49)	20924.56	20786.38	20626.33	21552.81	13/6	17369.74	4/1
Nikkei 300 (1/10/82)	302.79	301.62	300.15	311.71	13/6	268.22	4/1
Topix (4/1/68)	1663.75	1658.68	1652.38	1712.73	13/6	1448.87	4/1
2nd Section (4/1/68)	2473.55	2470.91	2458.20	2542.88	8/7	1873.38	4/1
Malaysia							
KLSE Comp.(4/4/86)	1125.14	1108.18	1092.80	1314.46	5/1	928.38	4/4
Thailand							
Bangkok SET (30/4/75)	1473.48	1461.71	1453.41	1753.73	4/1	1198.58	4/4
Turkey							
Istanbul Cmp.(Jan 1986)	(u)	25983.8	25515.6	28883.89	13/1	12880.70	24/3
WORLD							
MS Capital Int (1/1/70)$	636.2*	633.7	631.2	641.00	1/2	591.80	4/4
CROSS-BORDER							
Eurotrack 100(26/10/90)	1362.77	1358.59	1351.19	1540.19	31/1	1303.48	21/6
Euro Top-100 (26/6/90)	1210.42	1203.39	1200.68	1311.01	2/2	1149.06	21/6
JCapalDrgon (31/12/88)	(u)	325.92	327.60	365.19	5/1	280.28	21/3
Barings Emerg.(7/1/92)	178.28	176.21	174.79	192.72	14/2	141.85	21/4

~ Sat Aug 13: Taiwan Weighted Price 6583.91; Korea Comp Ex (c) . Base values of all indices are 100 except: Australia All Ordinary and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX – all 1,000; JSE Gold – 255.7; JSE 20 Industrials – 264.3; NYSE All Common – 50 and Standard and Poor's – 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Aug 17 - 2168.56 +13.91

US INDICES

Dow Jones	Aug 16	Aug 15	Aug 12	1994 High	1994 Low	Since compilation High	Since compilation Low
Industrials	3784.57	3760.29	3768.71	3978.36 (31/1)	97.64 (28/7)	3978.36 (31/1/94)	41.22 (2/7/32)
Home Bonds	97.96	97.77	97.92	105.61 (21/1)	96.43 (13/5)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	1604.74	1602.21	1600.60	1862.29 (2/2)	1546.02 (20/4)	1862.29 (2/2/94)	12.32 (8/7/32)
Utilities	189.69	188.11	188.97	227.06 (3/1)	176.71 (24/6)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 3804.84 (3798.17) Low 3732.45 (3742.15) (Theoretical♠)
Day's high 3788.13 (3781.33) Low 3740.86 (3760.29) (Actual♠)

Standard and Poors	Aug 16	Aug 15	Aug 12	1994 High	1994 Low	Since compilation High	Since compilation Low
Composite ‡	465.01	461.23	461.94	482.00 (2/2)	438.92 (4/4)	534.19 (29/7/94)	4.40 (1/6/32)
Industrials¶	542.71	537.75	538.40	560.59 (2/2)	510.05 (21/4)	560.59 (2/2/94)	3.62 (21/6/32)
Financial	45.87	45.45	45.53	48.94 (14/6)	41.39 (4/4)	48.48 (28/9/93)	8.64 (1/10/74)
NYSE Comp.	256.25	254.52	254.77	267.71 (2/2)	243.14 (4/4)	267.71 (2/2/94)	4.46 (25/4/42)
Amex Mkt Val	443.68	443.32	443.70	487.89 (2/2)	422.57 (28/6)	487.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Cmp	735.61	732.89	731.61	803.93 (18/3)	693.79 (24/6)	803.93 (18/3/94)	54.87 (31/10/72)

■ RATIOS

	Aug 12	Aug 5	Jul 29	Year ago
Dow Jones Ind. Div. Yield	2.70	2.72	2.72	2.88
	Aug 10	Aug 3	Jul 27	Year ago
S & P Ind. Div. yield	2.43	2.42	2.45	2.62
S & P Ind. P/E ratio	23.51	23.55	23.19	25.14

■ STANDARD AND POORS 500 INDEX FUTURES $500 times index

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Sep	465.20	465.45	+0.10	468.30	464.90	83,181	203,667
Dec	468.40	468.05	+0.10	468.40	468.05	2,340	22,098
Mar	-	471.40	-	471.80	-	204	4,169

Open interest figures are for previous day.

■ CAC-40 STOCK INDEX FUTURES (MATIF)

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Aug	2034.0	2046.0	+32.0	2050.0	2033.0	-	24,196
Sep	2040.5	2053.5	+32.0	2056.5	2040.0	1,471	27,704
Dec	-	2082.5	+32.0	2058.0	2050.0	-	7,996

Open interest figures for previous day.

■ NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Close price	Change on day
Merck	8,315,400	33¾	+¾
Wal-Mart	4,813,500	24¼	+¾
Compaq	4,441,600	36¾	+1⅛
Home Depot	4,403,300	44⅜	+2½
McDonalds	4,059,300	28	-¼
Telefonos	3,895,200	64½	+⅞
Hewlett-P	3,398,700	87⅜	+8½
Gen Motors	3,174,900	51	+1⅛
Jhsn & Jhsn	3,164,800	49½	—
Ford Motor	2,951,200	30⅜	+⅞

■ TRADING ACTIVITY

● Volume (million)

	Aug 16	Aug 15	Aug 12
New York SE	304.452	223.191	249.200
Amex	13.899	11.583	13.840
NASDAQ	273.649	224.385	239.489
NYSE			
Issues Traded	2,867	2,856	2,824
Rises	1,262	1,050	1,235
Falls	904	1,044	818
Unchanged	701	762	771
New Highs	56	38	30
New Lows	47	49	45

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♠ The DJ Ind. Index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ¶ Subject to official recalculation.

4 pm close August 17

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

- B -

- C -

- D -

- E -

- F -

- G -

- H -

- I -

- J -

- K -

- L -

- M -

- N -

- O -

- P - Q -

- R -

- S -

Continued on next page

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4 pm close August 17

NYSE COMPOSITE PRICES

1994 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
Continued from previous page										
30¼	25	StJoeLBP	1.80	6.6	13	61	27⅜	27⅛	27⅛	+¼
45	37¾	StPaul	1.50	3.4	4	2683	44	43¼	43½	-¼
9⅜	5	Salant Crp			7	355	6⅛	5⅞	6	+⅛
49⅞	32⅝	Sallie Mae	1.40	4.0	7	1493	34⅞	34½	34¾	+¼
13⅞	11⅞	Salomon Br	0.32	2.5		263	12¾	12½	12⅝	-⅛
52¾	41½	Salomn	0.64	1.5	5	1620	43¼	42¾	42⅞	-¼
25	17½	SnDgGE	1.52	7.8	10	382	20	19⅞	19⅞	
10	7½	SantaFeEfe	0.16	1.7	9	1140	9⅝	9⅜	9½	-⅛
16¼	13½	SFeSd				5787	14¾	14½	14¾	+¼
40	31½	SantaFePac	2.80	8.1	16	35	34⅞	34⅜	34⅝	+⅜
28¼	18½	SanFeP	0.10	0.5	10	6507	20	19⅝	19¾	-¼
26	19⅝	SaraLee	0.64	2.8	15	7002	22⅞	22⅝	22¾	
50⅛	42⅛	Scana Corp	2.82	6.2	12	304	45¼	45⅛	45¼	+⅛
20½	12½	Scecrp	1.00	7.4	9	7151	13¾	13½	13½	-⅛
40½	31¾	SchererRP			28	33	37⅜	37¼	37⅜	
71¾	54½	SchPl	2.04	2.9	16	7549	u71⅞	70⅝	70⅞	-⅝
63	50¾	Schlmb	1.20	2.1	23	5641	57½	56¾	56⅞	-⅞
33⅞	23¾	Schwab(C)	0.28	1.0	13	2835	28⅝	27¾	28⅛	
10¾	6⅛	Schwitzer			25	60	9⅛	8⅜	9	+½
40⅜	24⅞	SciAtl	0.12	0.3	82	2316	u41⅜	40¾	41¼	+1⅛
16⅞	13	Scotsman	0.10	0.7	14	81	15¾	15⅜	15⅜	+⅛
63¼	37¼	ScottP x	0.80	1.3	17	3405	u63⅝	62⅝	62⅝	-⅝
28⅝	18⅝	ScuddrNAsF	0.21	0.9		122	24⅜	24	24⅜	+⅝
12⅝	9½	ScuddrNEuF	0.16	1.6		224	10⅜	10¼	10⅜	
[illegible]										

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- W -

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Price data supplied by Telekurs

[illegible]

AMEX COMPOSITE PRICES

4 pm close August 17

[illegible]

NASDAQ NATIONAL MARKET

4 pm close August 17

- A - [illegible]

- B -

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- C -

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FINANCIAL TIMES
Thursday August 18 1994

AMERICA

Smaller stocks gain, blue chips slow down

Wall Street

Small-capitalisation stocks outperformed blue chips yesterday morning, as investors continued to respond to Tuesday's bold adjustment of monetary policy, *writes Frank McGurty in New York.*

By 1 pm, the Dow Jones Industrial Average was 2.59 easier at 3,781.98 as investors booked profits following Tuesday's 24-point advance. The more broadly based Standard & Poor's 500 was up a scant 0.09 at 465.10, even though advancing New York SE issues led declines by a five-to-four margin in brisk activity. Some 180m shares were traded on the Big Board by early afternoon.

In the secondary markets, the Nasdaq composite built on its relatively slim gain of the previous day, climbing 4.14 to 739.65. The American SE composite drifted 0.84 higher to 444.50.

For most investors, it was a day to pause and reflect on the implications of the Federal Reserve's decision to impose tighter restrictions on credit conditions, rather than move more gradually.

On Tuesday, the announcement of a move to lift two short-term interest rates had resulted in solid gains for stocks across the board, but not before the market wrestled with worries over ways that the policy change might affect corporate profits. In the end, however, investors were able to shrug off their concerns and focus on a welcome surge in long-term bond prices.

The positive mood in equities carried over into yesterday's trading, even though the rally in bonds had stalled in the early hours.

In both markets, investors were busy cashing in on the previous session's gains, holding most of the leading indices in check throughout the morning. The Nasdaq was the exception as software and semiconductor stocks maintained their forward momentum.

There was no economic news on offer to influence sentiment, although it was unlikely that any fresh data would have had much of an impact in the wake of Tuesday's events.

In the vacuum, most stocks meandered. Among the big cyclical issues, Deere advanced $1⅛ to $66⅞ and Caterpillar edged $⅝ ahead to $109⅞. But International Paper receded $⅝ to $72⅛ and 3M relinquished $⅛ to $54⅛.

Amid the general drift, American Home Products and American Cyanamid made some waves with the announcement of a $9.7bn merger agreement.

After a delayed opening, Cyanamid jumped $2⅞, or 3 per cent, to $96⅝ on news that stockholders would receive $101 a share in cash as part of the deal. AHP's stock firmed $⅛ to $59.

Retailing issues cooled off after a heated session highlighted by the release of a batch of quarterly results.

However, JC Penney, which was down $1⅞ on Tuesday, rebounded $1⅛ to $48⅛.

Gap Stores dropped $1⅝ to $41⅝.

Kmart was marked up $⅜ to $17⅜ in heavy volume of 2.3m shares. After Tuesday's close the discount store operator announced plans to spin off three of its specialty divisions.

Canada

Toronto was slightly higher at midsession, with the TSE-300 composite index edging ahead 2.09 to 4,204.88 in volume of 32.5m shares worth C$417.79m.

Among other indices, oil and gas registered a fall, down 16.44 at 4,631, while metals and minerals advanced by 4.04 to 3,829.30.

Declines outpaced advances by 308 to 247, with 315 issues unchanged.

Nova Corp shed C$⅛ to C$13 in volume of 1m shares after announcing several senior management changes.

Mexico

Equities rose sharply in early trading after domestic interest rates fell to their lowest level in almost five months.

The IPC index gained 27.55, or 1 per cent, at 2,722.15 after the primary interest rate on 28-day Treasury bills was cut by 175 basis points to 13.4 per cent.

Analysts noted that forecasts had been for a reduction of about 100 basis points.

Volume was 26m shares and of 38 issues traded, gainers outpaced decliners by 31-to-two, with five unchanged.

Telmex gained 1.8 per cent on both its A and L shares.

The only declines seen in the morning session were in the retailer Cifra's C shares, down by 1.04 per cent, and in the electronic goods group Elektra's CPO shares, down by almost 1 per cent.

De Beers recovers by 3.4 per cent

Local investors were active yesterday, encouraged by a positive reaction on the world's financial markets to the rise in US interest rates, which was announced late on Tuesday.

With De Beers and Anglos leading the way, the overall index closed 61 up at 5,823, industrials added 41 at 6,610 and golds rose 42 to 2,152.

Although the price of gold bullion firmed, strong renewed support for golds and mining financials was based mainly on the belief that the gold price was set to break out of its currently narrow trading range.

De Beers recovered all of Tuesday's loss following its announcement of disappointing half-year results, rebounding R3.75, or 3.4 per cent, to R113.25. Anglos moved forward R5 to R256.50. In golds, Vaal Reefs rose R5 to R395.

EMERGING MARKETS: IFC WEEKLY INVESTABLE PRICE INDICES

Market	No. of stocks	Dollar terms: August 12 1994	% Change over week	% Change on Dec '93	Local currency terms: August 12 1994	% Change over week	% Change on Dec '93
Latin America	(209)	694.45	-0.1	+6.7			
Argentina	(25)	907.00	-0.4	-8.8	556,558.32	-0.4	-8.8
Brazil	(57)	345.23	+1.3	+48.3	1,170,374,446	+0.6	+1,051.7
Chile	(25)	672.73	+0.4	+21.9	1,131.24	+0.2	+18.7
Colombia[1]	(11)	942.63	-2.7	+46.2	1,361.30	-2.6	+46.8
Mexico	(68)	940.05	-0.8	-6.6	1,377.73	-0.2	+2.1
Peru[2]	(11)	139.31	-3.8	+15.2	190.81	-1.9	+20.0
Venezuela[3]	(12)	527.63	+9.8	-10.9	2,061.99	+9.8	+45.1
Asia	(557)	268.83	+1.6	-7.6			
China[4]	(18)	108.28	+6.1	-27.5	117.62	+6.0	-28.3
South Korea[5]	(156)	129.61	+1.2	+9.7	137.11	+1.5	+9.2
Philippines	(18)	314.41	+5.5	-7.7	392.33	+3.9	-11.7
Taiwan, China[6]	(90)	149.18	-4.4	+10.3	148.36	-4.6	+10.9
India[7]	(76)	142.00	+3.8	+21.9	157.04	+3.8	+21.9
Indonesia[8]	(37)	102.01	-0.1	-18.2	119.72	-0.3	-15.9
Malaysia	(105)	300.82	+1.9	-11.3	283.85	+1.3	-15.8
Pakistan[9]	(15)	400.42	+2.4	+3.2	555.17	+2.4	+5.1
Sri Lanka[10]	(5)	182.16	+0.5	+2.8	195.86	+0.5	+2.6
Thailand	(55)	407.50	+0.6	-14.7	405.15	+0.8	-16.2
Euro/Mid East	(125)	123.33	+4.0	-27.2			
Greece	(25)	233.56	-0.1	+2.6	372.18	-1.5	-3.2
Hungary[11]	(5)	191.84	+5.9	+15.1	250.46	+4.5	+24.1
Jordan	(13)	164.60	+1.0	-0.6	235.66	+1.1	-1.6
Poland[12]	(12)	706.64	-2.2	-13.6	1,026.80	-1.6	-7.0
Portugal	(25)	124.36	-0.1	+9.3	136.32	-0.8	-1.3
Turkey[13]	(40)	121.32	+9.6	-42.9	1,773.61	+9.2	+21.9
Zimbabwe[14]	(5)	244.54	-0.7	+21.0	291.20	-0.6	+36.3
Composite	(891)	346.51	+0.9	-2.6			

Indices are calculated at end-week, and weekly changes are percentage movement from the previous Friday. Base date: Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 5 1990; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; (7)Nov 6 1992; (8)Sep 28 1990; (9)Mar 1 1991; (10) Dec 31 1992; (11)Dec 31 1992; (12)Dec 31 1992; (13)Aug 4 1989; (14)July 2 1993.

Bombay's stock market, so far, has lived up to forecasts made by a number of analysts at the start of the year that it would be one of the world's best performing emerging markets. Last Friday the BSE index closed at a record high of 4,508, retreating slightly on Monday and Tuesday as investors took profits, before moving higher once again in yesterday's trading to finish at 4,507. According to data collated by the IFC, the market has risen nearly 22 per cent in dollar terms since January 1, outperforming other South Asian markets and only bettered by some of the Latin American bourses.

However, the rally has largely been driven by local investors, with the flow of foreign institutional funds down to $43m in July, from $123m in the previous month.

Some analysts believe that the market now has further to go: industry is coming out of recession, while the steel and automobile industries are doing well and are expected to publish good first-half results. This season's monsoon rains are also above normal, holding out prospects of an above average crop for 1994.

EUROPE

Talk moves on to German interest rates

The crystal balls were out in force yesterday, some strategists arguing early in the day for an immediate cut in key German interest rates when the Bundesbank meets today, *writes Our Markets Staff.*

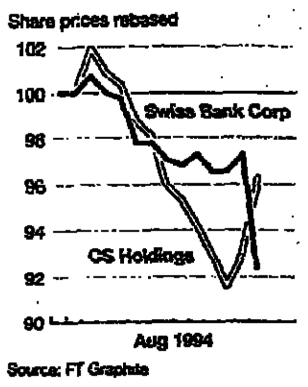
However, Reuter's poll of 20 economists around Europe reported that 85 per cent of them thought that there would be no Buba cut today, although a majority expected a cut some time in September.

At Goldman Sachs, Mr Sushil Wadhwani thought that European assets might underperform US assets temporarily, because of domestic interest rate concerns: "Specifically," he said, "given that a majority of analysts still expect the Bundesbank to cut the discount rate one more time, there is clear scope for disappointment here."

FRANKFURT responded to Tuesday's US rate reduction, the Dax index closing the session up 19.15 at 2,162.29, and the post bourse at an Ibis-indicated 2,166.56. Turnover recovered from DM5.1bn to DM7.8bn.

Banks and chemicals were mixed, the latter seeing a switch from Hoechst, down DM2.50 to DM356.50, and into BASF, up DM2.50 at DM329.70 with results due today.

Swiss banks



Source: FT Graphite

Schering, weakened by doubts cast on the safety of two of its drugs, hit DM895 in early Ibis trade before closing a net DM5.50 lower at DM909.50. The German health agency which made the accusations, meanwhile, was accused of overreaction to heavy criticism of its predecessor.

ZURICH saw its banks move both ways as SBC fell on Tuesday's half-year results, the bearers losing SFr19 at SFr378 in an expected punishment for a drop in trading income. CS Holding moved ahead SFr18 to SFr549, rewarded for results in line with expectations.

FT-SE Actuaries Share Indices — THE EUROPEAN SERIES

Aug 17 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1365.46	1365.76	1363.78	1362.95	1363.63	1365.24	1361.60	1362.77
FT-SE Eurotrack 200	1424.27	1425.33	1423.65	1423.67	1423.38	1426.81	1422.87	1423.69

	Aug 16	Aug 15	Aug 12	Aug 11	Aug 10
FT-SE Eurotrack 100	1358.59	1351.18	1352.33	1376.03	1384.35
FT-SE Eurotrack 200	1414.41	1407.89	1408.39	1425.70	1432.72

Base 1000 (26/10/90); Highday: 100 - 1366.05; 200 - 1427.70 Lowday: 100 - 1361.30 200 - 1421.45 | Partial

The SMI index ended just off the 2,600 mark, rising 10.6 to 2,599.3. Brown Boveri shed SFr9 to SFr1,250, but this was seen as selling on the good news after a 30 per cent rise in half-year net profits at the Swiss/Swedish operating group ABB.

AMSTERDAM reacted sharply to results from Nedlloyd, the transport and shipping group, which released first-half figures at the lower end of analysts' expectations. The shares were marked down 9 per cent in active trading, losing Fl 6.40 at Fl 64.60.

Analysts had been expecting the group to come in with a profit between Fl 34m and Fl 65m, against a loss in the same period last year of Fl 116m. However, the group posted a figure of Fl 35m, viewed as disappointing in light of the recent batch of results from other Dutch companies which have been at the upper end of forecasts. Nedlloyd also reported that it expected second-half results to be at a similar level to the first half, but could be pressured if the dollar remained weak.

The AEX index ended 0.73 up at 417.80, after a session's high of 419.74.

MILAN closed the last day of the August account slightly softer, with the Comit index dipping 4.93 to 649.22.

In banks, BCI fell L184 to L4,174 ahead of today's launch of its capital increase programme which aims to raise some L2,360bn. Shareholders are entitled to buy new shares at L3,000 in a one-for-two rights issue, and analysts said the issue should be fully subscribed.

The telecommunications sector also attracted interest, with Sip, the domestic operator, losing L91 at L4,094 on its last day of trading before it was absorbed, together with Italcable, down L166 at L9,782, into Telecom Italia. From today Telecom Italia becomes the country's integrated national telecommunications service operator and will be quoted on the bourse. Stet, the holding company, shed L33 to L4,825.

PARIS strengthened, although activity remained unexceptional, as it had been for previous sessions. The CAC-40 index rose 22.93 to 2,034.98 in turnover of slightly above FFr2bn.

MADRID closed lower for the fourth consecutive session, as nervousness set in late in the day following weakening trends in the domestic debt market, and on Wall Street.

The general index fell 1.51 to 309.67, with Telefónica Pta25, or 1.4 per cent, off at Pta1,775.

STOCKHOLM built on Tuesday's rise, helped by a good gain in Ericsson, up SKr9 at SKr402 in the "B" shares, as investors anticipated today's half-year results.

The Affärsvärlden general index rose 5.70 to 1,406.00.

Written and edited by William Cochrane and John Pitt

ASIA PACIFIC

Pacific Basin responds to US initiative

Tokyo

Equities saw late afternoon profit-taking which eroded most of their earlier gains, and the Nikkei 225 average closed only moderately higher, *writes Emiko Terazono in Tokyo.*

The index was up 38.20 at 20,824.56 after a day's low of 20,791.96 and high of 20,875.78. US interest rate rises provided a brief stimulus, with buying by domestic investors and dealers, and arbitrageurs later in the afternoon. Volume expanded from 254m shares to 360m. Profit-taking and index-linked selling around the 20,800 level persuaded many investors against active buying.

The Topix index of all first section stocks put on 5.07 at 1,663.75 and the Nikkei 300 gained 1.17 at 302.79. Advances outnumbered declines by 516 to 427, with 219 issues unchanged. In London the ISE/Nikkei 50 index added 1.79 at 1,352.62.

Overseas investors continued to buy steels and chemicals, with some domestic financial institutions following suit. Leading steels took the top five places in the active stocks list, with Nippon Steel, the most active, remaining unchanged at Y375, Sumitomo Metal Y14 stronger at Y341 and Kobe Steel Y3 firmer at Y330.

Sumitomo Chemical moved ahead Y6 to Y578 and Mitsubish Kasei advanced Y8 to Y565. However, cement shares, which had also been bought earlier in the week, could not sustain their gains. Chichibu Cement dropped Y60 to Y1,360 and Onoda Cement retreated Y16 to Y663.

Foreigners also bought Kumagai Gumi, the contractor, which climbed Y15 to Y572.

Telecom and multimedia-linked stocks were popular. Reports that the government would invest in multimedia networks ahead of the 1998 Nagano winter Olympics, and the development of a new wireless network by Nippon Telegraph and Telephone and Victor, revived interest. Dealers also purchased electricals, regarded as laggards. Victor appreciated Y60 to Y1,390 and Nippon Telegraph and Telephone moved forward Y21,000 to Y880,000.

In Osaka, the OSE average finished 141.85 higher at 23,207.30 in volume of 28.1m shares.

Roundup

The region responded to the US interest rate rise, Australia adding one of its own. Jakarta and Colombo were closed.

HONG KONG jumped 1.8 per cent, the Hang Seng index closing 171.36 ahead at 9,537.98 in turnover of HK$5.46bn. Property stocks led the rally, with Henderson Land Development gaining HK$1.60 at HK$41.80 and Sun Hung Kai Properties adding HK$1.50 at HK$52.75.

Traders suggested that much of the buying came from Japanese and US investors. Some analysts expected a rate rise tomorrow but felt that this was already factored into local share prices.

Wharf Holdings advanced HK$1.10, or 3.5 per cent, to HK$32.10 on a 26 per cent rise in half-year earnings. Hang Seng Bank recovered after its fall on Monday's interim results, rising HK$2.50 to HK$54.75, one of the largest gains of the session.

China's Qingling Motors rose to HK$2.75 from its initial offering price of HK$2.07. The stock bucked the trend of the H-share index, which fell 7.57, or 0.55 per cent, to 1,313.40.

SINGAPORE bought blue chips, the Straits Times Industrial index ending 35.83 higher at 2,334.40 in volume of 409m shares. City Development added 40 cents at S$7.60 in heavy volume on high expectations of new projects scheduled for the rest of the year, and on an upturn in its office rental and hotel operations.

KUALA LUMPUR added more strong earnings reports, the easing of capital controls by Bank Negara and a lower than expected July inflation figure, to the US interest rate news and the KLSE composite index put on 17.96, or 1.6 per cent, at 1,126.14.

Volume climbed from 310m shares to 563m. Renong and Idris, both speculative favourites, led activity with rises of 32 cents and 10 cents respectively to M$4.24 and M$5.65. Genting rose 50 cents to M$24 on strong half-year results.

SYDNEY rose as the Reserve Bank of Australia outdid its US counterpart, lifting official interest rates by 75 basis points. The removal of uncertainty left the All Ordinaries index 19.5 higher at 2,059.5 in turnover of A$389.55m.

CRA rose 32 cents to A$19.26, matching its previous record close on February 8, aided by speculative buying after troops recaptured the closed Panguna copper mine, in which CRA has a 53.6 per cent interest, on Bougainville Island.

WELLINGTON liked the US and Australian moves and the NZSE-40 index ended 18.49 firmer at 2,101.46 in turnover of NZ$30m. **TAIWAN** blamed its own government's tight monetary policy for the fact that its advance - 62.00 to 6,645.90 - was not greater.

KARACHI saw selective buying of financials and some foreign interest as the KSE index edged up 19.04, or 0.85 per cent, to end at 2,265.75. Dewan Salman Fibre rose Rs4.75, just over 3 per cent, to Rs161.50 as synthetics manufacturers came into demand on the new account day.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	Tue Aug 16 1994: US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	Mon Aug 15 1994: US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Dollar Index: 52 week High	52 week Low	Year ago (approx)
Australia (68)	173.07	-0.7	166.61	109.87	139.94	155.18	-0.8	3.55	174.27	167.63	110.45	140.73	156.38	189.15	139.24	143.31
Austria (17)	191.67	-0.2	184.50	121.67	154.97	155.06	0.1	1.03	192.06	184.63	121.73	155.10	154.87	195.41	164.64	166.96
Belgium (37)	175.70	-0.6	169.14	111.53	142.06	138.98	-0.2	3.98	176.60	169.76	111.92	142.61	139.92	176.76	143.62	149.82
Canada (104)	129.37	0.8	124.54	82.13	104.60	129.37	0.9	2.62	128.35	123.38	81.34	103.64	128.23	145.31	120.54	126.38
Denmark (33)	262.08	0.0	252.29	166.37	211.90	220.30	0.3	1.35	262.07	251.93	166.10	211.63	219.85	275.79	215.85	215.85
Finland (24)	159.47	0.6	153.51	101.23	128.93	172.91	0.9	0.81	158.50	152.37	100.45	127.99	171.27	164.23	111.04	111.02
France (97)	176.08	0.2	169.53	111.13	141.54	148.54	0.1	3.00	174.68	167.92	110.71	141.06	148.32	186.37	159.24	161.27
Germany (58)	146.17	0.2	140.71	92.79	118.18	118.18	0.3	1.76	145.63	140.19	92.43	117.77	117.77	147.24	121.78	123.28
Hong Kong (56)	381.85	-0.9	367.59	242.40	308.74	378.85	-0.9	3.20	385.44	370.53	244.29	311.27	381.88	505.68	298.76	295.45
Ireland (14)	201.78	0.2	194.25	128.09	163.15	186.91	0.2	3.31	201.37	193.58	127.82	162.62	186.53	208.33	161.54	166.58
Italy (61)	78.44	1.6	75.51	49.80	63.42	93.25	1.7	1.63	77.21	74.23	48.94	62.35	91.71	97.78	57.88	73.59
Japan (469)	164.94	0.2	158.78	104.71	133.37	104.71	0.4	0.73	164.54	158.17	104.28	132.88	104.28	170.10	134.54	165.91
Malaysia (97)	539.86	1.6	519.69	342.70	436.50	532.37	1.6	1.54	531.10	510.55	336.61	428.89	523.94	621.63	363.15	363.15
Mexico (18)	2224.63	0.3	2141.51	1412.19	1798.67	8284.38	0.5	1.61	2217.11	2131.31	1405.17	1790.40	8241.83	2647.09	1615.11	1693.90
Netherland (27)	214.24	0.2	206.24	136.00	173.22	170.81	0.4	3.34	213.83	205.56	135.52	172.68	170.18	214.54	178.95	177.50
New Zealand (14)	71.08	-1.5	68.43	45.12	57.47	62.83	-1.0	3.80	72.19	69.40	45.75	58.30	63.33	77.59	57.03	57.03
Norway (23)	205.40	-0.3	197.73	130.39	166.07	191.03	-0.1	1.73	206.08	198.10	130.61	166.41	191.12	211.74	165.52	176.82
Singapore (44)	358.19	-0.2	344.81	227.38	289.62	248.64	-0.2	1.70	358.90	344.92	227.40	289.75	249.09	379.92	271.07	271.07
South Africa (59)	297.98	-0.3	286.85	189.16	240.92	295.36	-0.6	2.11	298.87	287.30	189.42	241.35	297.22	301.92	175.93	195.90
Spain (42)	143.66	-0.7	138.30	91.20	116.16	141.32	-0.7	4.06	144.60	139.00	91.64	116.77	142.30	155.79	124.90	124.90
Sweden (36)	209.07	-1.2	201.26	132.72	169.04	242.78	0.1	1.64	211.55	203.37	134.08	170.84	242.92	231.35	175.83	186.60
Switzerland (47)	163.13	0.4	157.03	103.55	131.89	131.94	0.5	1.84	162.41	156.13	102.94	131.15	131.34	176.56	132.02	133.46
United Kingdom (204)	198.09	0.0	190.69	125.75	160.16	190.69	0.1	3.98	198.11	190.44	125.56	159.98	190.44	214.90	181.11	182.16
USA (519)	189.96	0.8	182.86	120.59	153.59	189.96	0.8	2.84	188.46	181.17	119.44	152.19	188.46	196.04	178.95	184.00
EUROPE (720)	172.03	0.1	165.61	109.21	139.09	154.64	0.3	3.00	171.82	165.17	108.90	138.75	154.24	178.56	152.70	152.20
Nordic (116)	208.71	-0.5	200.91	132.49	168.75	205.39	0.2	1.44	209.85	201.73	133.00	169.46	204.87	222.03	173.19	175.13
Pacific Basin (748)	173.54	0.2	167.06	110.17	140.32	114.97	0.3	1.05	173.25	166.55	109.90	139.91	114.62	178.86	134.79	168.80
Euro-Pacific (1468)	172.78	0.1	166.32	109.68	139.70	130.92	0.3	1.87	172.52	165.84	109.34	139.32	130.56	173.69	143.88	161.87
North America (623)	186.20	0.8	179.25	118.20	150.55	185.81	0.8	2.83	184.73	177.58	117.08	149.18	184.33	192.73	175.67	181.30
Europe Ex. UK (516)	154.25	0.2	148.49	97.92	124.71	133.43	0.3	2.43	153.94	147.98	97.56	124.31	132.99	158.12	133.21	133.21
Pacific Ex. Japan (279)	258.17	-0.3	248.53	163.89	208.74	229.88	-0.3	2.80	258.84	248.83	164.05	209.03	230.51	290.21	197.97	197.97
World Ex. US (1649)	174.10	0.2	167.59	110.52	140.76	134.51	0.3	1.89	173.82	167.09	110.16	140.37	134.13	176.01	145.58	161.90
World Ex. UK (1964)	176.40	0.4	169.81	111.98	142.63	147.92	0.5	2.03	175.66	168.86	111.33	141.65	147.16	178.51	156.96	167.24
World Ex. So. Af. (2109)	177.58	0.4	170.94	112.73	143.58	150.72	0.5	2.22	176.89	170.04	112.11	142.84	150.09	178.56	168.54	168.51
World Ex. Japan (1699)	187.62	0.4	180.61	119.10	151.70	179.03	0.5	2.86	186.80	179.57	118.39	150.65	178.16	186.20	172.22	172.22
The World Index (2168)	178.32	0.4	171.66	113.20	144.18	151.79	0.5	2.22	177.65	170.77	112.56	143.46	151.09	178.97	168.65	168.56

Constituent change with effect 23/8/94: Share fraction change: Irish Life (Ireland) 0.66 to 1.0. Latest prices were unavailable for this edition.